
Ordinance No. 90-353

The Council of the Metropolitan Service District

An ordinance enacted as a Supplemental Ordinance to Ordinance Nos. 89-319 and 89-320; establishing a plan for financing the 1989 Compost Project to serve as a part of the Metropolitan Service District's solid waste disposal system; authorizing the issuance of Additional Bonds in connection with its issuance of the 1989 Compost Project Bonds for such purpose; and establishing and determining other matters in connection therewith.

Enacted on June 14, 1990

Prepared by:

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[Note: This Table of Contents is provided solely for the convenience of the reader and does not constitute a part of this Ordinance.]

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Metropolitan Service District
Counties of Multnomah, Clackamas and Washington
State of Oregon

Ordinance No. 90-353

An ordinance enacted as a Supplemental Ordinance to Ordinance Nos. 89-319 and 89-320; establishing a plan for financing the 1989 Compost Project to serve as a part of the Metropolitan Service District's solid waste disposal system; authorizing the issuance of Additional Bonds in connection with its issuance of the 1989 Compost Project Bonds for such purpose; and establishing and determining other matters in connection therewith.

Be it enacted by the Council of the Metropolitan Service District:

Section A. Findings. The Council (the "Council") of the Metropolitan Service District, a political subdivision organized and existing under the laws of the State of Oregon (the "Issuer"), hereby finds and determines as follows:

(a) Pursuant to and in accordance with the provisions of Oregon Revised Statutes Chapter 268 (the "Act") and related provisions of the Oregon Revised Statutes, the Issuer is responsible for and now operates a waste disposal system (as more particularly described in Ordinance No. 89-319 (the "Master Ordinance"), the "System") for the purpose of managing and disposing of waste generated within and without the Service Area (as defined in the Master Ordinance).

(b) Pursuant to the provisions of the Act (as defined in the Master Ordinance) and other applicable provisions of law, the Issuer is authorized to issue revenue bonds to finance landfills, transfer facilities, resource recovery facilities and other improvements, facilities and equipment necessary or desirable for the System regardless of whether such improvements, facilities and equipment are to be owned by the Issuer or any other person and regardless of whether such improvements, facilities or equipment are to be located within or without the jurisdictional boundaries of the Issuer.

(c) The Issuer has enacted the Master Ordinance in order to establish a plan for the financing from time to time various components and other fiscal needs of the System and authorizing the issuance of one or more series of revenue bonds for such purpose under the provisions of supplemental ordinances adopted pursuant to the Master Ordinance.

(d) In order to finance the acquisition, construction and installation of the 1989 Compost Project (as more particularly described in the 1989 Supplemental Ordinance (as defined herein)), which 1989 Compost Project is to be constructed, owned and operated by Riedel Oregon Compost Company, Inc., an Oregon corporation (the "Borrower") and used in the operation of the System, the Issuer has issued pursuant to and as authorized by the Act \$26,605,000 in aggregate principal amount of its Waste Disposal Project Revenue Bonds (Riedel Oregon Compost Company, Inc. Project), 1989 Series A and B (as herein defined, the "1989 Compost Project Bonds"), as a Series of Project Bonds under and as defined in the Master Ordinance, and enacted Ordinance No. 89-320 (the "1989 Supplemental Ordinance") to establish and determine the terms and conditions of the 1989 Compost Project Bonds, to secure the repayment of the 1989 Compost Project Bonds and to set forth, establish and determine other matters relevant to the 1989 Compost Project Bonds.

(e) In order to finance certain costs necessary for completion of the 1989 Compost Project, which costs were unanticipated at the time of issuance of the 1989 Compost Project Bonds, the refunding of the Series B Bonds and certain Costs of Issuance and other reasonably related costs, the Issuer has determined to issue pursuant to and as authorized by the Act not to exceed \$5,000,000 in aggregate principal amount of its Waste Disposal Project Revenue Bonds (Riedel Oregon Compost Company, Inc. Project) 1990 Series One (the "Series One Bonds"), which are expressly designated as comprising a part of the Series B Bonds and which, together with the Series A Bonds, constitute the 1989 Compost Project Bonds, a single Series of Project Bonds under and as defined in the Master Ordinance, and is enacting pursuant to, in accordance with and as a supplement of the 1989 Supplemental Ordinance this Ordinance No. 90-353 (the "Series One Supplemental Ordinance") to establish and determine the terms and conditions of the Series One Bonds, to secure the repayment of the Series One Bonds and to set forth, establish and determine other matters relevant to the Series One Bonds.

(f) The Series One Bonds are limited obligations of the Issuer, payable solely and only out of the Series One Trust Estate (as defined herein), and no recourse shall be had against any properties, funds or assets of the Issuer (other than the Series One Trust Estate) for the payment of any amounts owing under or with respect to the Series One Bonds or this Series One Supplemental Ordinance. The Series One Trust Estate includes the Series One Loan Repayments (as defined herein) and the right to payments under the Series One Credit Facility (as defined herein), and the Issuer has no responsibility for the performance of the obligations to make Series One Loan Repayments or to reimburse payments made under the Series One Credit Facility.

(g) Pursuant to the Series One Loan Agreement (as defined herein), the Issuer will use the proceeds of the Series One Bonds to make the Series One Loan (as defined herein) to the Borrower in order to: (i) finance certain unanticipated costs of completing the acquisition, construction, installation and equipping of the 1989 Compost Project; (ii) refund the Series B Bonds; (iii) pay certain Costs of Issuance incurred in connection with the Series One Bonds; and (iv) pay a portion of the capitalized interest to become due on the Series One Bonds.

(h) Pursuant to the Amended and Restated Intercreditor Agreement, the Borrower, the Issuer, the 1989 Trustee, the Series One Credit Provider and the 1989 Credit Provider have agreed that the Borrower's obligations to make Series One Loan Repayments under the Series One Loan Agreement in respect of the Series One Bonds shall be subordinate to, among other things, the Borrower's obligations to make Series A Loan Repayments under the 1989 Loan Agreement (which subordination shall in no way render moneys drawn under the Series One Credit Facility subordinate to Series A Loan Repayments), and consequently, sufficient funds may be unavailable for purposes of making Series One Loan Repayments. Notwithstanding any such insufficiency, the Owners of the Series One Bonds and the 1989 Trustee may not, as more particularly set forth in Section 701(c) of this Series One

Supplemental Ordinance, and the Series One Credit Provider agrees in the Amended and Restated Intercreditor Agreement not to, commence, bring, maintain, joined or otherwise participate (except as a named defendant) in any action or proceeding against the Borrower or its properties or revenues by reason of the occurrence of any Series One Event of Default so long as the 1989 Credit Facility remains in effect or any amounts remain outstanding under the 1989 Credit Agreement, and the Borrower agrees to waive and/or extend all statute of limitations applicable to any such claims throughout this period.

(i) The Borrower has arranged for United States National Bank of Oregon, a bank organized and existing under the laws of the United States of America (as more particularly defined herein, the "Series One Credit Provider"), to issue in favor of the 1989 Trustee (as herein defined) the Series One Credit Facility as security for the payment when due of the principal of, premium (if any) and interest on the Series One Bonds and as security for the payment when due of the Purchase Price (as defined herein) of any Series One Bonds required to be purchased as provided in this Series One Supplemental Ordinance. The restrictions on actions against the Borrower described in the preceding paragraph shall in no way preclude the 1989 Trustee from exercising its rights and remedies against the Series One Credit Provider to honor a conforming draw under the Series One Credit Facility.

ARTICLE I

DEFINITIONS AND GRANTING CLAUSES

Section 101. Terms Defined in Master Ordinance; Conflicting Definitions. All terms used herein and not otherwise defined herein shall have the same meanings assigned thereto in the Master Ordinance and the 1989 Supplemental Ordinance; *provided that* in the event of any conflict between the definition of a term as set forth in the Master Ordinance and the definition of the same term as set forth in the 1989 Supplemental Ordinance or in this Series One Supplemental Ordinance, the definition of such term as set forth in this Series One Supplemental Ordinance (if such term is defined herein) or in the 1989 Supplemental Ordinance (if such term is not defined in this Series One Supplemental Ordinance) shall govern and control for all purposes of this Series One Supplemental Ordinance and the Series One Bonds; *and further provided that* in the event of any conflict between the definition of a term as set forth in the 1989 Supplemental Ordinance and this Series One Supplemental Ordinance, the definition of such term as set forth in this Series One Supplemental Ordinance shall govern and control for all purposes of this Series One Supplemental Ordinance and the Series One Bonds.

Section 102. Definitions. As used in this Series One Supplemental Ordinance, the following terms shall have the respective meanings set forth below:

"Account" or "Accounts" shall mean one or more of the special trust accounts created and established pursuant to the 1989 Supplemental Ordinance or this Series One Supplemental Ordinance.

"Act of Bankruptcy" means: (a) the filing of a petition in bankruptcy by or against the Borrower or the Series One Credit Provider under the Federal Bankruptcy Code or under any similar act which may be hereafter enacted or, in the case of the Series One Credit Provider, under any similar laws of any nation having jurisdiction, unless within 90 days (in the case of a petition in bankruptcy against the Borrower or the Series One Credit Provider) such petition shall have been dismissed and such dismissal shall be final and not subject to appeal; or (b) the making by the Borrower or the Series One Credit Provider of an assignment for the benefit of creditors.

"Additional Bonds" means 1989 Compost Project Bonds issued pursuant to and in accordance with Section 210 of the 1989 Supplemental Ordinance.

"Affiliate" when used with respect to the Borrower, shall mean a person:

(i) who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Borrower; or

(ii) who directly or indirectly through one or more intermediaries beneficially owns or holds 5% or more of the voting stock (or in the case of an entity which is not a corporation, 5% or more of the equity interest) of the Borrower; or

(iii) 5% or more of the voting stock (or in the case of an entity which is not a corporation, 5% or more of the equity interest) of which is beneficially owned or held by the Borrower;

it being understood that for purposes of the foregoing provisions:

(A) the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through ownership of voting stock or otherwise; and

(B) the term "voting stock" means securities of any class or classes of a corporation, the holders of which are entitled, in the absence of contingencies, to elect a majority of the corporate directors or persons performing similar functions.

"Alternate Credit Facility" means a standby bond purchase contract, letter of credit, bond insurance policy, surety bond, line of credit, third-party collateral agreement or guarantee or other credit enhancement device or combination thereof given or provided to or in favor of the 1989 Trustee pursuant to Section 604 of this Series One Supplemental Ordinance as security for (a) the payment of all or any portion of the principal of or interest on all or any of the Series One Bonds, or (b) the payment or performance of any other obligations under or with respect to all or any of the Series One Bonds.

"Amended and Restated Intercreditor Agreement" shall mean the Amended and Restated Intercreditor Agreement dated as of June 1, 1990 among the 1989 Credit Provider, the Series One Credit Provider, the 1989 Trustee and the Issuer and consented to by the Borrower.

"Authorized Denominations" means: (i) during any period in which the Series One Bonds bear interest at a Weekly, Monthly or Commercial Paper Rate, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000; and (ii) during any period in which the Series One Bonds bear interest at a Semi-annual, Extended or Fixed Rate, \$5,000 and any integral multiples thereof; *provided that* notwithstanding the foregoing, a single Series One Bond may be issued in a denomination other than as provided in (i) and (ii) above in order to take account of the issuance of the Series One Bonds in an aggregate principal amount which is not an integral multiple of \$5,000 or \$100,000.

"Authorized Issuer Representative" shall mean the Executive Officer of the Issuer or any person designated by the Executive Officer in writing to act on behalf of such Executive Officer for purposes of this Series One Supplemental Ordinance.

"Beneficial Owners" shall mean, whenever used with respect to a Series One Bond, the person or entity in whose name such Series One Bond is recorded as the beneficial owner of such Series One Bond by a

Participant on the records of such Participant pursuant to the arrangements for book-entry determination of ownership applicable to the Securities Depository.

"Bond Counsel" shall mean Stoel Rives Boley Jones & Grey, or an attorney or firm of attorneys of recognized national standing in the field of law relating to municipal bonds selected by the Issuer.

"Bond Year" means, with respect to particular Series One Bonds which constitute a single "issue" of Bonds within the meaning of Section 148(f) of the Code, each one year period commencing on: (i) the date of issuance and delivery of the bonds of such issue; or (ii) such other date as the Issuer may elect with respect to such issue of bonds in accordance with the application provisions of Section 148(f) of the Code and the regulations thereunder.

"Book-Entry System" shall mean that system whereby the clearance and settlement of securities transactions is made through electronic book-entry changes, thereby eliminating the need of physical movement of securities.

"Borrower" shall mean Riedel Oregon Compost Company, Inc., an Oregon corporation, and (but only to the extent permitted under the express terms of this Series One Supplemental Ordinance, the 1989 Supplemental Ordinance, the Series One Loan Agreement, the 1989 Loan Agreement, the Service Agreement, and the 1989 Credit Agreement) its lawful successors and assigns.

"Business Day" or "business day" means any day on which (i) banks located in any of the cities in which the principal office of the 1989 Trustee, the Series One Remarketing Agent, the Series One Paying Agent, the Series One Tender Agent or the Series One Credit Provider is located are not required or authorized to remain closed and (ii) the New York Stock Exchange is not closed.

"Calculation Period" means the period elected by the Issuer in accordance with and pursuant to the regulations promulgated pursuant to Section 148(f) of the Code (or any successor thereto) for calculating the Rebate Amount with respect to the Series One Bonds.

"Capital Costs" shall mean and include all costs of acquisition, construction, reconstruction, improvement, betterment or extension of the 1989 Compost Project or any part thereof, including, without limitation, the costs of:

(a) any demolitions or relocations necessary in connection with the acquisition, construction, reconstruction, improvement, betterment and extension of the 1989 Compost Project and any renewals, replacements, alterations, improvements, additions, machinery and equipment, facilities, paving, grading, excavation, blasting or removals deemed by the Borrower to be necessary or useful or convenient in connection therewith;

(b) obligations incurred for labor and materials and payments made to contractors, builders and materialmen in connection with the acquisition, construction, reconstruction, improvement, betterment and extension of the 1989 Compost Project, and for the restoration of property damaged or destroyed in connection therewith;

(c) fees and expenses of the 1989 Trustee during construction, the cost of surety bonds to secure moneys in the 1989 Construction Account, payments, taxes or other governmental charges lawfully levied or assessed during construction or on any property acquired, and premiums on insurance (if any) during such construction or acquisition or reimbursement to the appropriate person for such premium payments;

(d) fees and expenses for studies, surveys and reports, engineering, borings, testings, estimates of costs and revenues, preparation of plans and specifications and inspecting or supervising construction or acquisition, as well as for the performance of all other duties of engineers or architects in connection with the acquisition, construction, reconstruction, improvement, betterment or extension of the 1989 Compost Project or required by the 1989 Supplemental Ordinance;

(e) expenses of administration properly chargeable to the acquisition, construction, reconstruction, improvement, betterment or extension of the 1989 Compost Project, including legal expenses and fees, financing charges, costs of audits and fiscal advice, the fees and expenses of any Fiduciary for the 1989 Compost Project Bonds or Additional Bonds and other similar administrative costs incurred during the construction period in connection with the 1989 Compost Project Bonds or Additional Bonds but only to the extent such fees, expenses and costs have been capitalized, and all other items of expense not elsewhere in this definition specified, incident to the acquisition, construction, reconstruction, improvement, betterment or extension of the 1989 Compost Project, including the acquisition of real estate, franchises and rights-of-way therefor, and abstracts of title and title insurance;

(f) the cost and expense of acquiring by purchase or condemnation or by leasing such property, lands, rights-of-way, franchises, easements, and other interests in land as may be deemed necessary or convenient for the acquisition, construction, reconstruction, improvement, betterment or extension of any part of the 1989 Compost Project, and options and partial payments thereon, and the amount of any damages incident to or consequent upon the same;

(g) any obligation or expense heretofore or hereafter expended or incurred by the Borrower or any other person and any amounts heretofore or hereafter advanced by the Borrower or any other person for any of the foregoing purposes;

(h) any Costs of Issuance incurred in connection with the 1989 Compost Project Bonds; and

(i) interest on the 1989 Compost Project Bonds during the period of construction, installation, acquisition and testing of a Project.

"Cede & Co." shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the 1989 Compost Project Bonds.

"Closing Date" means the date on which the Series One Bonds are first issued, sold and delivered.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"Commercial Paper Rate" means, when used with respect to any particular Series One Bond bearing interest in a Commercial Paper Rate Period, the interest rate determined for each Commercial Paper Rate Period applicable thereto pursuant to Section 206(f) hereof.

"Conversion Date" means: (i) when used with respect to a Fixed Rate, the date on which a Fixed Rate becomes effective with respect to the affected Series One Bonds pursuant to Section 208 hereof; and (ii) when used with respect to any particular Variable Rate Period or Commercial Paper Rate Period, the first date on which a Rate Period of that type becomes effective with respect to the affected Series One Bonds pursuant to Section 207 hereof, which first date immediately follows the last day of a Rate Period of a different type for the affected Series One Bonds.

"Costs of Issuance" shall mean all costs necessary or attributable to the issuance of any Series One Bonds which are not Capital Costs described in subparts (a) through (g) and (i) of the definition of "Capital Costs" set forth above, and which include, but are not limited to, legal fees and expenses, fees and expenses of any consulting engineer and financial advisors, cost of audits, advertising and printing expenses, fees and expenses of the Fiduciaries, costs of Series One Bond ratings, the initial fees, expenses and other amounts payable to any indexing agent, depository, remarketing agent, tender agent or any other person whose services are required with respect to the issuance of any Series One Bonds, discounts to the underwriter(s) or other purchasers of the Series One Bonds incurred in the issuance and sale of the Series One Bonds, and (to the extent not treated as interest under the Code) the fees and expenses incurred in connection with the Series One Credit Facility, including the fees and expenses of counsel to the Series One Credit Provider.

"Credit Purchased Bond" means any Series One Bond during any period in which such Series One Bond is owned by or held on behalf of the Series One Credit Provider as a result of such Series One Bond having been purchased pursuant to Article III hereof from the proceeds of a draw under the Series One Credit Facility, regardless of whether such Series One Bond is actually registered in the name of or delivered to the Series One Credit Provider or its agent or its designee.

"Delivery Office" means the office of the Series One Tender Agent which the Series One Tender Agent shall specify in writing to the Issuer, the Borrower, the 1989 Trustee, the Series One Credit Provider and the Series One Remarketing Agent as being the place for delivering Series One Bonds for purchase pursuant to Article III hereof, the initial Delivery Office of the initial Series One Tender Agent being, First Interstate Bank of Oregon, N.A., Corporate Financial Services T-10, 1300 S.W. Fifth Avenue, Portland, Oregon 97201. During any period in which the Series One Bonds are not subject to the Book-Entry System, the Delivery Office shall be in New York, New York.

"DTC" shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"Event of Default" shall mean a Series One Event of Default as defined in Section 701 hereof.

"Excess Earnings" means the amount of investment earnings derived from the investment of the "proceeds" of the Series One Bonds or any moneys deemed to be "proceeds" of the Series One Bonds of such issue (all within the meaning of the Code), including but not limited to moneys on deposit from time to time in any Account or subaccount established with respect to such issue of Series One Bonds (whether or not formally established as an Account hereunder and regardless of the person who may hold the moneys therein) containing any moneys which, in accordance with the applicable provisions of the Code, constitute "proceeds" of such issue of Series One Bonds for purposes of Section 148 of the Code, to the extent that such investment earnings exceed the amount that would have been earned on such moneys had such moneys been invested at a yield equal to the yield on such issue of Series One Bonds (with the yield on such issue of Series One Bonds being determined in accordance with the provisions of Section 148(f) of the Code); *provided that* the investment earnings on amounts on deposit from time to time in the Series One Subaccount of the 1989 Debt Service Account shall not be taken into account to the extent that the gross investment earnings on such account for the Bond Year are less than \$100,000, all within the meaning of and as contemplated by Code Section 148(f)(4)(A)(ii); it being the intent of this definition that "Excess Earnings" shall be calculated so that the Rebate Amount is determined in accordance with the requirements of Section 148(f) of the Code.

"Executive Officer" shall mean the duly elected or appointed, qualified and acting Executive Officer of the Issuer, or any officer of the Issuer hereafter succeeding to the powers and duties of such Executive Officer with respect to the System.

"Extended Rate" means the interest rate to be determined for the affected Series One Bonds pursuant to Section 206(e) hereof.

"Facility" shall have the meaning assigned thereto in the Service Agreement.

"Final Computation Date" shall mean "final computation date" as such phrase is used in the regulations promulgated pursuant to Section 148(f) of the Code (or any successor thereto).

"Fixed Rate" or "Fixed Rates" means the interest rate to be determined for the affected Series One Bonds pursuant to Section 208(d) hereof.

"Fixed Rate Period" means the period of time during which the affected Series One Bonds bear interest at a Fixed Rate.

"Government Obligations" means direct general obligations of the United States of America or any agency or instrumentality thereof, but not including any shares or interests in a mutual fund or similar fund which invests in direct obligations of the United States of America or any agency or instrumentality thereof.

"Inducement Date" means September 22, 1987, on which date a resolution of intent or inducement to assist in the financing of the 1989 Compost Project was adopted by the Issuer.

"Initial Interest Rate" shall mean the rate to be applicable to the Series One Bonds during the Initial Interest Rate Period (if any) as determined by the Executive Officer pursuant to Section 1011 hereof.

"Initial Interest Rate Period" shall mean the period, if any, determined by the Executive Officer pursuant to Section 1011 hereof.

"Installment Computation Date" shall mean "installment computation date" as such phrase is used in the regulations promulgated pursuant to Section 148(f) of the Code (or any successor thereto).

"Interest Payment Date" shall mean:

(i) for the Series One Bonds bearing interest at the Weekly or Monthly Rate, the first Business Day of each calendar month;

(ii) for the Series One Bonds bearing interest at the Semiannual or Extended Rate, the first Business Day of the sixth month following the Semiannual or Extended Rate Conversion Date and subsequently on the first Business Day of each sixth calendar month thereafter;

(iii) for the Series One Bonds bearing interest at a Commercial Paper Rate, the first Business Day immediately following the last day of each Commercial Paper Rate Period applicable thereto;

(iv) for the Series One Bonds bearing interest at a Fixed Rate or Rates, the first day of each November and May;

(v) for the Series One Bonds which are subject to mandatory tender pursuant to Sections 303, 304 or 305 hereof, the date of the mandatory tender (regardless of whether an Owner elects to retain its Series One Bonds on such date);

(vi) with respect to the payment of interest accruing on the Series One Bonds during the Initial Interest Rate Period, the Business Day following the last day of such Initial Period; and

(vii) the date upon which any payments of principal are due with respect to any Series One Bonds by reason of the maturity thereof or redemption prior to maturity.

"Investment Securities" shall mean and include any of the following securities:

(i) Government Obligations;

(ii) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; senior debt obligations of the Federal Home Loan Banks; debentures of the Federal Housing Administration; guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Association; guaranteed Title XI financing of the U.S. Maritime Administration; mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association; and participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation (collectively, "Agency Obligations");

(iii) direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured general obligation debt is rated "A3" or better by Moody's and "A-" or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is rated "A3" or better by Moody's and "A-" or better by S&P;

(iv) commercial paper rated "Prime-1" by Moody's and "A-1" or better by S&P;

(v) obligations rated "A3" or better by Moody's and "A-" or better by S&P;

(vi) deposits, Federal funds or bankers acceptances of any domestic bank, including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are obtained by the Borrower and provided to the 1989 Trustee to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which:

(a) has an unsecured, uninsured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's and "A-1" or "A-" or better by S&P, or

(b) is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting the rating requirements in (a) above;

(vii) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3 million, provided such deposits are fully insured by the Federal Deposit Insurance Corporation;

(viii) investments in a money-market fund rated "Am" or "Am-G" or better by S&P;

(ix) repurchase agreements with a term of one year or less with any institution with debt rated "AA" or commercial paper rated "A-1" (in each case by S&P);

(x) repurchase agreements collateralized by direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America or Agency obligations with any registered broker/dealer subject to the Securities

Investors' Protection Corporation jurisdiction or any commercial bank if such broker/ dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's and "A-1" or "A-" or better by S&P; provided:

(a) a master repurchase agreement or specific written, repurchase agreement governs the transaction; and

(b) the securities are held free and clear of any lien by the 1989 Trustee or an independent third party acting solely as agent for the 1989 Trustee, and such third party is:

(1) a Federal Reserve Bank;

(2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million; or

(3) a bank approved in writing for such purpose by the Series One Credit Provider and the 1989 Credit Provider, and the 1989 Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the 1989 Trustee; and

(c) a perfected first security interest under the Uniform Commercial Code or book entry procedures prescribed at 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* in such securities is created for the benefit of the 1989 Trustee; and

(d) the repurchase agreement has a term of thirty days or less, or the 1989 Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

(e) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to an Interest Payment Date, and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%;

(xi) investment agreements with a bank or insurance company which has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated "A3" or better by Moody's and "A" or better by S&P or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, provided:

(a) moneys invested thereunder may be withdrawn without any penalty, premium, or charge upon reasonable notice (provided such notice may be amended or canceled at any time prior to the withdrawal date), and

(b) the agreement is not subordinated to any other obligations of such insurance company or bank, and

(c) the 1989 Trustee receives from the Borrower an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank; and

(xii) any Tax-Exempt Obligations (as defined in the Master Ordinance) which are rated in any of the 3 highest categories by Moody' s or S&P.

"Master Ordinance" means Ordinance No. 89-319 enacted by the Issuer on November 21, 1989, as the same may be amended and supplemented from time to time in accordance with its terms.

"Master Project Account" shall mean the Account by that name established pursuant to Section 502 of the Master Ordinance.

"Maturity" when used with respect to any Series One Bond means the date on which the principal of such Series One Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration or call for redemption or otherwise.

"Maximum Rate" means: (i) 12% *per annum*; or (ii) such other rate for particular Series One Bonds as may hereafter be specified in writing to the 1989 Trustee by the Authorized Issuer Representative; *provided that* anything expressed or implied herein to the contrary, so long as a Series One Credit Facility is in effect with respect to any Series One Bonds, the "Maximum Rate" for the Series One Bonds secured by such Series One Credit Facility shall not be in excess of the rate of interest used under such Series One Credit Facility for the purpose of calculating the maximum amount that may be drawn thereunder for the purpose of paying interest on such Series One Bonds.

"Minimum Variable Rate" shall mean, as the context requires, the minimum Monthly Rate, minimum Semiannual Rate, or minimum Extended Rate established for any Monthly, Semiannual or Extended Rate Period pursuant to Section 206 hereof.

"Monthly Rate" shall mean the interest rate to be determined for the Series One Bonds on a monthly basis pursuant to Section 206(c) hereof.

"1989 Compost Project Bonds" means, collectively, the Series A Bonds and the Series B Bonds, including the Series One Bonds issued as Additional Bonds pursuant to this Series One Supplemental Ordinance and comprising a part of the Series B Bonds.

"1989 Compost Project" means the Facility and the Facility Site, both as defined and described in the Service Agreement.

"1989 Construction Account" means the subaccount of the Master Project Account established with the 1989 Trustee pursuant to Section 401 of the 1989 Supplemental Ordinance.

"1989 Credit Agreement" means: (i) so long as the 1989 Credit Facility issued in favor of the 1989 Trustee on the date of original issuance of the 1989 Compost Project Bonds remains in full force and effect and the issuer thereof has not failed or refused to honor a proper demand for payment thereunder, the agreement, as may be amended from time to time, pursuant to which Credit Suisse, a bank organized and existing under the laws of Switzerland, acting through its New York Branch, issued its irrevocable letter of credit in favor of the 1989 Trustee, including any extensions, renewals or replacements thereof issued by said bank; and (ii) from and after the acceptance by the 1989 Trustee and the effectiveness of any Alternate Credit Facility meeting the requirements of this 1989 Supplemental Ordinance, the agreement pursuant to which such Alternate Credit Facility, including any extensions, renewals or replacements thereof issued by the issuer thereof.

"1989 Debt Service Account" means the subaccount of the Master Project Account established with the 1989 Trustee pursuant to Section 401 of the 1989 Supplemental Ordinance.

"1989 Equity Account" shall mean the special subaccount of the 1989 Construction Account established with the 1989 Trustee pursuant to Section 401 of the 1989 Supplemental Ordinance.

"1989 Loan Agreement" means the Loan Agreement dated as of November 1, 1989 between the Issuer and the Borrower pursuant to which the Issuer agreed to loan the proceeds of its \$26,605,000 Waste Disposal Project Revenue Bonds (Riedel Oregon Compost Company, Inc. Project)1989 Series A and B to the Borrower, and any amendments thereto.

"1989 Rebate Account" means the account by that name established with the 1989 Trustee pursuant to Section 401 of the 1989 Supplemental Ordinance.

"1989 Supplemental Ordinance" shall mean Ordinance No. 89-320, enacted by the Issuer on November 21, 1989, as the same may be amended, modified or supplemented in accordance with its terms, including this Series One Supplemental Ordinance.

"1989 Trustee" means First Interstate Bank of Oregon, N.A., a national banking association, and any successor thereto appointed as provided in the 1989 Supplemental Ordinance.

"Opinion of Bond Counsel" shall mean an opinion of Bond Counsel acceptable to the Issuer, addressed to the Issuer, the Series One Credit Provider, the 1989 Credit Provider and the 1989 Trustee, to the effect that the action proposed to be taken is authorized or permitted by this Series One Supplemental Ordinance and will not adversely affect the excludability for federal income tax purposes of the interest on any Series One Bonds issued as, and which at the time of rendition of such opinion still are, Tax-Exempt Obligations (as defined in the Master Ordinance).

"Outstanding" or "Outstanding Series One Bonds" or "Series One Bonds Outstanding" or "Series One Bonds at the Time Outstanding" or "Series One Bonds then Outstanding," at the time in question, shall mean with respect to Series One Bonds all Series One Bonds which have been executed and delivered by the Issuer and authenticated by the 1989 Trustee or an agent of the 1989 Trustee under this Ordinance, except:

(i) Series One Bonds theretofore cancelled by the 1989 Trustee or surrendered to the 1989 Trustee for cancellation;

(ii) Series One Bonds paid or deemed to be paid pursuant to Section 1001 hereof; *provided that* if such Series One Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Section 1001 hereof or irrevocable instructions shall have been given to the 1989 Trustee by the Issuer for the giving of such notice; and

(iii) Series One Bonds in lieu of or in exchange for which other Series One Bonds shall have been executed and delivered by the Issuer and authenticated by the 1989 Trustee or an agent of the 1989 Trustee pursuant to the provisions hereof.

"Owner" shall mean any person who shall be the registered owner of any Series One Bond as shown by the registration books maintained by the Series One Bond Registrar.

"Participant" shall mean a broker-dealer, bank or other financial institution for which DTC holds Series One Bonds as Securities Depository.

"Permitted Investments" shall mean those Investment Securities in which, under the applicable laws of the State of Oregon, the Issuer is permitted to invest its funds, such Investment Securities currently being listed in ORS 294.035.

"Purchase Contract" means that certain Contract of Purchase between the Issuer and the Underwriter with respect to the initial purchase of the Series One Bonds.

"Purchase Date", when used with respect to any Series One Bond, means the date upon which the Series One Tender Agent is obligated to purchase such Series One Bond pursuant to Article III hereof.

"Purchase Price" of any Series One Bond required to be purchased by the Series One Tender Agent pursuant to Article III hereof means an amount equal to the principal amount of such Series One Bond plus accrued interest thereon if the Purchase Date is other than an Interest Payment Date at the rate(s) applicable to Series One Bonds from the most recent Interest Payment Date to the Purchase Date.

"Qualifying Costs" means Capital Costs of the 1989 Compost Project which: (i) are paid and incurred after the Inducement Date; (ii) are properly chargeable to the 1989 Compost Project's capital account or would be so chargeable either with a proper election by the Borrower or but for a proper election by the Borrower to deduct such amounts; and (iii) are for "solid waste disposal facilities"; all within the meaning of and as contemplated by Section 142 of the Code.

"Rate Period" or "Period" means, when used with respect to any particular rate of interest applicable to the Series One Bonds (whether a Weekly, Monthly, Semiannual, Extended, Commercial Paper or Fixed Rate), the period during which such rate of interest for the affected Series One Bonds will remain in effect pursuant to Article II hereof.

"Rating Agencies" shall mean Standard & Poor's Corporation and/or Moody's Investors Service, according to which of such rating agencies then rates the Series One Bonds; and provided that if neither of such rating agencies then rates the Series One Bonds, the term "Rating Agencies" shall refer to any national rating agency (if any) which provides such rating.

"Rebate Amount" means the sum of the Excess Earnings plus all investment earnings on such Excess Earnings; it being the intent of this definition that the Rebate Amount shall be calculated in accordance with the requirements of Section 148 of the Code.

"Rebate Analyst" means the person or firm retained by the Issuer from time to time for the purpose of preparing the Rebate Reports required pursuant to Section 406 hereof.

"Rebate Report" means a report for each Calculation Period prepared by the Rebate Analyst pursuant to Section 406 hereof calculating the Rebate Amount, all for the purpose of enabling the 1989 Trustee to comply with the requirements of Section 406 hereof and Section 148 of the Code.

"Record Date" for the interest payable on any Interest Payment Date on the Series One Bonds means the fifth Business Day immediately preceding the Interest Payment Date in question in the case of the Weekly, Monthly and Commercial Paper Rate Periods and means the 15th day of the immediately preceding calendar month (whether or not a Business Day) in the case of a Semiannual, Extended and Fixed Rate Period.

"Requisition Certificate" means a certificate in the form set forth as Exhibit B to the Series One Loan Agreement.

"Securities Depository" shall mean, initially, The Depository Trust Company, New York, New York, and its successors and replacement securities depository appointed hereunder.

"Semiannual Rate" shall mean the interest rate to be determined for the Series One Bonds pursuant to Section 206(d) hereof.

"Series B Refunding Account" means the special account by that name established pursuant to Section 401 hereof.

"Series One Bond Registrar" means the 1989 Trustee.

"Series One Bonds" means the Issuer's Waste Disposal Project Revenue Bonds (Riedel Oregon Compost Company, Inc. Project) 1990 Series One.

"Series One Borrower Granted Trust Estate" shall have the meaning assigned thereto in Section 103(a)(ii) hereof.

"Series One Credit Agreement" means: (i) so long as the Series One Credit Facility issued in favor of the 1989 Trustee on the date of original issuance of the Series One Bonds remains in full force and effect and the issuer thereof has not failed or refused to honor a proper demand for payment thereunder, the agreement pursuant to which United States National Bank of Oregon, a bank organized and existing under the laws of the United States of America, issues its irrevocable letter of credit in favor of the 1989 Trustee, including any extensions, renewals or replacements thereof issued by said bank; and (ii) from and after the acceptance by the 1989 Trustee and the effectiveness of any Alternate Credit Facility meeting the requirements of this Series One Supplemental Ordinance, the agreement pursuant to which such Alternate Credit Facility, including any extensions, renewals or replacements thereof issued by the issuer thereof.

"Series One Credit Facility" means:

(i) so long as the Series One Facility issued in favor of the 1989 Trustee on the date of original issuance of the Series One Bonds remains in full force and effect and the issuer thereof has not failed or refused to honor a proper demand for payment thereunder, the irrevocable letter of credit issued by United States National Bank of Oregon, a bank organized and existing under the laws of the United States of America, in favor of the 1989 Trustee as security for the Series One Bonds; and

(ii) from and after the acceptance by the 1989 Trustee and the effectiveness of any Alternate Credit Facility in substitution for the Series One Credit Facility, the issuer of such Alternate Credit Facility.

"Series One Credit Provider" means:

(i) so long as the Series One Credit Facility issued in favor of the 1989 Trustee on the date of original issuance of the Series One Bonds remains in full force and effect and the issuer thereof has not failed or refused to honor a proper demand for payment thereunder, United States National Bank of Oregon, a bank organized and existing under the laws of the United States of America; and

(ii) from and after the acceptance by the 1989 Trustee and the effectiveness of any Alternate Credit Facility meeting the requirements of this Series One Supplemental Ordinance and given in substitution for the then existing Series One Credit Facility, the issuer of such Alternate Credit Facility.

"Series One Event of Default" shall mean the occurrence of any one or more of the events described in Section 701 hereof.

"Series One Issuer Granted Trust Estate" shall have the meaning assigned thereto in Section 103(a)(i) hereof.

"Series One Loan" shall mean the loan to be made by the Issuer to the Borrower under the Series One Loan Agreement out of the proceeds of the Series One Bonds.

"Series One Loan Agreement" means the Loan Agreement dated as of June 1, 1990 between the Issuer and the Borrower pursuant to which the Issuer agrees to loan the proceeds of the Series One Bonds to the Borrower, as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms of this Series One Supplemental Ordinance.

"Series One Loan Repayments" shall mean the Series One Loan Repayments required to be made by the Borrower with respect to the Series One Loan.

"Series One Paying Agent" means any person appointed as such pursuant to this Series One Supplemental Ordinance, initially, First Interstate Bank of Oregon, N.A.

"Series One Remarketing Agent" means any person appointed as such pursuant to this Series One Supplemental Ordinance, initially, Donaldson, Lufkin & Jenrette Securities Corporation.

"Series One Remarketing Agreement" means the agreement pursuant to which the Series One Remarketing Agent assumes its duties hereunder and thereunder.

"Series One Subaccount of the 1989 Construction Account" means the subaccount of the 1989 Construction Account established with the 1989 Trustee pursuant to Section 401 hereof.

"Series One Subaccount of the 1989 Debt Service Account" means the subaccount of the 1989 Debt Service Account established with the 1989 Trustee pursuant to Section 401 hereof.

"Series One Subaccount of the 1989 Rebate Account" means the subaccount of the 1989 Rebate Account established with the 1989 Trustee pursuant to Section 401 hereof.

"Series One Supplemental Ordinance" shall mean this Ordinance No. 90-353, enacted by the Issuer on June 14, 1990, as the same may be amended, modified or supplemented in accordance with its terms.

"Series One Tender Agent" means with respect to the Series One Bonds bearing interest at the Weekly Rate or the Monthly Rate, the 1989 Trustee, and with respect to the Series One Bonds bearing interest at any other Variable Rate or the Commercial Paper Rate, the person acting as such and accepting in writing the appointment by the Issuer to act in such capacity as provided in Section 511 hereof.

"Series One Trust Estate" means: (i) the Series One Loan Repayments; (ii) the moneys drawn under the Series One Credit Facility to the extent such moneys are available for the purpose of paying amounts owing under or with respect to the Series One Bonds; and (iii) all other properties and assets and interests in properties and assets described in Section 103(a) hereof.

"State" shall mean the State of Oregon.

"Stated Maturity" means the date upon which all amounts owing under a Series One Bond are due and payable in full as shown upon the face of such Series One Bond.

"Supplemental Ordinance" shall mean any ordinance supplemental to or amendatory of this Series One Supplemental Ordinance, entered into by the Issuer in accordance with this Series One Supplemental Ordinance, the 1989 Supplemental Ordinance and the Master Ordinance.

"Underwriter" means Donaldson, Lufkin & Jenrette Securities Corporation and any other investment banking firm(s) as the Issuer shall approve as the underwriter(s) of the Series One Bonds in connection with the initial offering and sale thereof.

"Variable Rate" means, as the context requires, the Weekly, Monthly, Semiannual or Extended Rate applicable to the Series One Bonds.

"Weekly Rate" shall mean the interest rate to be determined for the Series One Bonds on a weekly basis pursuant to Section 206(b) hereof.

"Wire Transfer" shall mean any method of transferring or paying moneys now in use or hereafter devised which does not involve the physical delivery of cash, checks or bank drafts.

Section 103. Granting Clauses.

(a) The Series One Trust Estate.

(i) The Series One Issuer Granted Trust Estate. As used herein, the term "Series One Issuer Granted Trust Estate" shall mean and include the following properties and assets and interests in properties and assets:

(A) the Issuer's right, title and interest to and in the Series One Loan Agreement and all Series One Loan Repayments due thereunder, but not including the Issuer's rights under Sections 7.2 and 7.4 of the Series One Loan Agreement and the Issuer's right to receive notices and give approvals under the Series One Loan Agreement;

(B) the Issuer's right, title and interest to and in any and all other funds, moneys and property of any kind held for defeasance of the Series One Bonds or from time to time hereafter specifically pledged as additional security for the Series One Bonds by the Issuer or any other person or delivered to the 1989 Trustee; and

(C) the Issuer's right, title and interest to, in and under the Series One Credit Facility and all moneys drawn thereunder and the account described in Section 602(c) in which such moneys are placed.

(ii) The Series One Borrower Granted Trust Estate. As used herein, the term "Series One Borrower Granted Trust Estate" shall mean the following:

(A) the right, title and interest of the Borrower to and in any and all funds, moneys and property of any kind held for defeasance of the Series One Bonds or from time to time hereafter specifically pledged as additional security for the Series One Bonds by the Issuer or any other person or delivered to the 1989 Trustee; and

(B) the Borrower's right, title and interest to, in and under the Series One Credit Facility and all moneys drawn thereunder and the account described in Section 602(c) in which such moneys are placed.

(b) The Series One Bonds. The Issuer, in consideration of the premises, the acceptance by the 1989 Trustee of the trusts hereby created, the mutual covenants herein contained, the purchase and acceptance of the Series One Bonds by the purchasers thereof and other valuable consideration, receipt of which is hereby acknowledged, and in order to secure the payment when due of:

(i) the principal of, premium (if any) and interest on the Series One Bonds;

(ii) the Purchase Price of any Series One Bonds required to be purchased from time to time hereunder; and

(iii) the Series One Loan Repayments due under the Series One Loan Agreement with respect to the Series One Bonds;

does hereby, without warranty of any kind, grant, bargain, sell, convey, transfer, assign and pledge unto, and grant a security interest in favor of, the 1989 Trustee, and unto its successors in the trusts under this Series One Supplemental Ordinance, and to them and their successors and assigns forever, all right, title and interest of the Issuer, in, to and under the Series One Issuer Granted Trust Estate;

TO HAVE AND TO HOLD all the same to the 1989 Trustee and its successors in said trust and to it and its assigns forever;

IN TRUST NEVERTHELESS, except as in each such case may otherwise be provided in this Series One Supplemental Ordinance upon the terms and trusts in this Series One Supplemental Ordinance set forth for the equal and proportionate benefit, security and protection of all and singular the present and future Owners of the Series One Bonds issued or to be issued under and secured by this Series One Supplemental Ordinance, without preference, priority or distinction as to lien or otherwise;

PROVIDED HOWEVER, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, or make due provision for the payment of the principal of, premium (if any) and interest on and Purchase Price of the Series One Bonds issued, secured and Outstanding under this Series One Supplemental Ordinance at the times and in the manner mentioned in the Series One Bonds and this Series One Supplemental Ordinance, according to the true intent and meaning thereof, shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Series One Supplemental Ordinance to be kept, performed and observed by it in connection with the Series One Bonds, and shall pay or cause to be paid to the Series One Trustee all sums of money due or to become due to it in accordance with the terms and provisions of this Series One Supplemental Ordinance in connection with the Series One Bonds, then upon such final payments this Series One Supplemental Ordinance and the rights thereby granted in and to the Series One Issuer Granted Trust Estate shall cease and terminate with respect to all Series One Bonds, otherwise this Series One Supplemental Ordinance to be and remain in full force and effect with respect to the Series One Bonds.

(c) Additional Assets of the Series A Trust Estate. In consideration of the consent of the 1989 Credit Provider to the issuance of the Series One Bonds as Additional Bonds (as that term is defined in the 1989 Supplemental Ordinance) under the 1989 Supplemental Ordinance and pursuant to and in accordance with Section 103(a)(i)(D) and (a)(ii)(C) of the 1989 Supplemental Ordinance, the Series A Trust Estate is augmented by the addition of the following assets in subaccounts of certain accounts established and created under the 1989 Supplemental Ordinance:

(i) The Issuer Granted Trust Estate. The following properties and assets and interests in properties and assets are hereby added to the "Issuer Granted Trust Estate" with respect to the Series A Bonds as defined in the 1989 Supplemental Ordinance:

(A) the Issuer's right, title and interest to and in the Series One Subaccount of the 1989 Construction Account and the Series One Subaccount of the 1989 Debt Service Account and moneys and investments on deposit therein and investment earnings thereon; and

(B) the Issuer's right, title and interest to and in the proceeds of the Series One Bonds, except for those proceeds deposited in the Series B Refunding Account, and all other amounts held under this Series One Supplemental Ordinance, including the investments, if any, thereof.

(ii) The Borrower Granted Trust Estate. The following properties and assets and interests in properties and assets are hereby added to the "Borrower Granted Trust Estate" with respect to the Series A Bonds as defined in the 1989 Supplemental Ordinance:

(A) the right, title and interest of the Borrower to and in the Series One Subaccount of the 1989 Construction Account and the Series One Subaccount of the 1989 Debt Service Account and moneys and investments on deposit therein and investment earnings thereon; and

(B) the right, title and interest of the Borrower to and in the proceeds of the Series One Bonds, except for those proceeds deposited in the Series B Refunding Account, and all other amounts held under this Series One Supplemental Ordinance, including the investments, if any, thereof.

(iii) The Series A Bonds. The Issuer, in consideration of the premises, the acceptance by the 1989 Trustee of the trusts hereby created, the mutual covenants herein contained, the purchase and acceptance of the Series A Bonds by the purchasers thereof and other valuable consideration, receipt of which is hereby acknowledged, and in order to secure the payment when due of:

(A) the principal of, premium (if any) and interest on the Series A Bonds;

(B) the Purchase Price of any Series A Bonds required to be purchased from time to time under the 1989 Supplemental Ordinance;

(C) the Series A Loan Repayments due under the 1989 Loan Agreement with respect to the Series A Bonds; and

(D) the amounts due under the 1989 Credit Agreement;

does hereby, without warranty of any kind, grant, bargain, sell, convey, transfer, assign and pledge unto, and grant a security interest in favor of, the 1989 Trustee, and unto its successors in the trusts under the 1989 Supplemental Ordinance, and to them and their successors and assigns forever, all right, title and interest of the Issuer, in, to and under the additional assets of the Issuer Granted Trust Estate with respect to the Series A Bonds as described above in Section 103(c)(i) of this Series One Supplemental Ordinance; and also for the benefit of the 1989 Credit Provider as security for the payment and performance by the Borrower of all of its obligations under and pursuant to the 1989 Credit Agreement, including but not limited to all fees, expenses, increased costs and other amounts owing under the 1989 Credit Agreement with the same force and effect as the other assets in the Issuer Granted Trust Estate that have been pledged with respect to the Series A Bonds pursuant to Section 103(b) of the 1989 Supplemental Ordinance; *provided that* in the same manner as relates to the other assets in the Issuer Granted Trust Estate that have been

pledged with respect to the Series A Bonds pursuant to Section 103(b) of the 1989 Supplemental Ordinance, so long as any of the Series A Bonds (other than Series A Bonds which have been fully paid out of moneys drawn by the 1989 Trustee under the 1989 Credit Facility) remain Outstanding, the 1989 Trustee, subject to the terms and provisions of the Amended and Restated Intercreditor Agreement, shall hold the Issuer Granted Trust Estate for the first and prior benefit of the Owners of the Series A Bonds (other than the 1989 Credit Provider) and the interest of the 1989 Credit Provider to and in the Issuer Granted Trust Estate shall be and remain second and subordinate; *and provided further that* the 1989 Credit Facility and all moneys drawn by or paid to the 1989 Trustee thereunder shall be held by the 1989 Trustee for the sole and exclusive benefit of the Owners of the Series A Bonds;

TO HAVE AND TO HOLD all the same to the 1989 Trustee and its successors in said trust and to it and its assigns forever;

IN TRUST NEVERTHELESS, except as in each such case may otherwise be provided in the 1989 Supplemental Ordinance upon the terms and trusts in the 1989 Supplemental Ordinance set forth for the equal and proportionate benefit, security and protection of all and singular the present and future Owners of the Series A Bonds issued or to be issued under and secured by the 1989 Supplemental Ordinance and the 1989 Credit Provider, without preference, priority or distinction as to lien or otherwise;

PROVIDED HOWEVER, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, or make due provision for the payment of the principal of, premium (if any) and interest on and Purchase Price of the Series A Bonds issued, secured and Outstanding under the 1989 Supplemental Ordinance at the times and in the manner mentioned in the Series A Bonds and the 1989 Supplemental Ordinance, according to the true intent and meaning thereof, and all amounts due under any 1989 Credit Agreement shall have been paid and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of the 1989 Supplemental Ordinance to be kept, performed and observed by it in connection with the Series A Bonds, and shall pay or cause to be paid to the 1989 Trustee all sums of money due or to become due to it in accordance with the terms and provisions of the 1989 Supplemental Ordinance in connection with the Series A Bonds, then upon such final payments the 1989 Supplemental Ordinance and the rights thereby granted in and to the Issuer Granted Trust Estate, including the additional assets pledged pursuant to Section 103(c)(a) of this Series One Supplemental Ordinance, shall cease and terminate with respect to all Series A Bonds and with respect to the 1989 Credit Agreement obligations, otherwise the 1989 Supplemental Ordinance to be and remain in full force and effect with respect to the Series A Bonds.

(d) Pledge of the Series B Refunding Account. The Issuer, in consideration of the premises, the acceptance by the 1989 Trustee of the trusts created by the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Supplemental Ordinance, the mutual covenants contained in the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Supplemental Ordinance, the purchase and acceptance of the Series B Bonds by the purchasers thereof and other valuable consideration, receipt of which is hereby acknowledged, and in order to secure the payment when due of:

- (A) the principal of, premium (if any) and interest on the Series B Bonds;
- (B) the Purchase Price of any Series B Bonds required to be purchased from time to time under the 1989 Supplemental Ordinance;
- (C) the Series B Loan Repayments due under the 1989 Loan Agreement with respect to the Series B Bonds; and
- (D) the amounts due under the 1989 Credit Agreement with respect to the Series B Bonds;

does hereby, without warranty of any kind, grant, bargain, sell, convey, transfer, assign and pledge unto, and grant a security interest in favor of, the 1989 Trustee, and unto its successors in the trusts under the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Supplemental Ordinance and to them and their successors and assigns forever, all right, title and interest of the Issuer, in, to and under the Series B Refunding Account and the proceeds of the Series One Bonds deposited therein as part of the Series B Trust Estate; and also for the benefit of the 1989 Credit Provider as security for the payment and performance by the Borrower of all of its obligations under and pursuant to the 1989 Credit Agreement with respect to the Series B Bonds, including but not limited to all fees, expenses, increased costs and other amounts owing under the 1989 Credit Agreement with respect to the Series B Bonds; *provided that*, so long as any of the Series B Bonds (other than Series B Bonds which have been fully paid out of moneys drawn by the 1989 Trustee under the 1989 Credit Facility) remain Outstanding, the 1989 Trustee, subject to the terms and provisions of the Amended and Restated Intercreditor Agreement, shall hold the Series B Refunding Account for the first and prior benefit of the Owners of the Series B Bonds (other than the 1989 Credit Provider) and the interest of the 1989 Credit Provider to and in the Series B Refunding Account shall be and remain second and subordinate; *and provided further that* the 1989 Credit Facility and all moneys drawn by or paid to the 1989 Trustee thereunder shall be held by the 1989 Trustee for the sole and exclusive benefit of the Owners of the Series B Bonds;

TO HAVE AND TO HOLD all the same to the 1989 Trustee and its successors in said trust and to it and its assigns forever;

IN TRUST NEVERTHELESS, except as in each such case may otherwise be provided in the 1989 Supplemental Ordinance upon the terms and trusts in the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Supplemental Ordinance set forth for the equal and proportionate benefit, security and protection of all and singular the present and future Owners of the Series B Bonds issued or to be issued under and secured by the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Supplemental Ordinance and the 1989 Credit Provider, without preference, priority or distinction as to lien or otherwise;

PROVIDED HOWEVER, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, or make due provision for the payment of the principal of, premium (if any) and interest on and Purchase Price of the Series B Bonds issued, secured and Outstanding under the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Ordinance at the times and in the manner mentioned in the Series B Bonds and the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Supplemental Ordinance, according to the true intent and meaning thereof, and all amounts due under any 1989 Credit Agreement with respect to the Series B Bonds shall have been paid and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Supplemental Ordinance to be kept, performed and observed by it in connection with the Series B Bonds, and shall pay or cause to be paid to the 1989 Trustee all sums of money due or to become due to it in accordance with the terms and provisions of the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Ordinance in connection with the Series B Bonds, then upon such final payments this Series One Ordinance and the rights thereby granted in and to the Series B Refunding Account, shall cease and terminate with respect to all Series B Bonds and with respect to the 1989 Credit Agreement obligations, otherwise this Series One Supplemental Ordinance to be and remain in full force and effect with respect to the Series B Bonds.

ARTICLE II

AUTHORIZATION, ISSUANCE AND PROVISIONS OF SERIES ONE BONDS

Section 201. Authorization of Series One Bonds; Limited Obligations.

(a) **Principal Amount.** The Series One Bonds are hereby authorized to be issued in an aggregate principal amount not to exceed \$5,000,000 for the purposes enumerated in the recitals hereto. The Series One Bonds shall be designated "Metropolitan Service District Waste Disposal Project Revenue Bonds (Riedel Oregon Compost Company, Inc. Project) 1990 Series One." The Series One Bonds shall be issued in the aggregate principal amount determined by the Executive Officer pursuant to Section 1011 hereof.

(b) **Series One Bonds to Constitute Project Bonds of a Single Series Under Master Ordinance.** The Series A Bonds and the Series One Bonds, together with any Additional Bonds issued pursuant to Section 210 of the 1989 Supplemental Ordinance, shall be Project Bonds and shall constitute a single Series, all as defined in and within the meaning of the Master Ordinance.

(c) **Limited Obligations.** The Series One Bonds and all obligations of the Issuer under or with respect to the Series One Bonds and this Series One Supplemental Ordinance shall be and remain limited obligations of the Issuer payable solely and only out of the Series One Trust Estate. No recourse shall be had against any properties, funds or assets of the Issuer (other than the Series One Trust Estate) for the payment of any amounts owing under or with respect to the Series One Bonds or this Series One Supplemental Ordinance. Neither the Series One Bonds nor this Series One Supplemental Ordinance nor the obligations of the Issuer under or with respect thereto constitute or create an indebtedness of the Issuer within the meaning of any constitutional or statutory debt limitation. Notwithstanding anything to the contrary expressed or implied in this Series One Supplemental Ordinance, this Series One Supplemental Ordinance in no way secures or otherwise creates an obligation of the Issuer to provide for the performance of any obligation owed the Series One Credit Provider under the Series One Credit Agreement.

(d) **Tax-Exempt Obligations.** The Series One Bonds are issued as, and are intended to be, Tax-Exempt Obligations (as defined in the Master Ordinance).

Section 202. Maturity Date for the Series One Bonds. The Series One Bonds shall mature on July 1, 2011.

Section 203. Denominations; Dating; Interest Accrual; Computation of Interest; Payments Due on Holidays.

(a) **Denominations and Dating.** The Series One Bonds shall be issued in Authorized Denominations. Each Series One Bond shall be dated as of the Closing Date. Each Series One Bond also shall bear its date of authentication as noted thereon by the 1989 Trustee.

(b) **Interest Accrual.** Each Series One Bond shall bear interest from the Interest Payment Date to which interest has been paid next preceding the date of its authentication, unless the date of its authentication:

(i) is an Interest Payment Date to which interest on such Series One Bond has been paid, in which event such Series One Bond shall bear interest from its date of authentication; or

(ii) is prior to the first Interest Payment Date for the Series One Bond, in which event, such Series One Bond shall bear interest from its date.

(c) Payments Due on Holidays. Interest on the Series One Bonds shall be due and payable on each Interest Payment Date for such bonds; *provided that* whenever a payment of principal of, premium (if any) or interest on a Series One Bond is due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same force and effect as if made on the stated due date.

(d) Computation of Interest. While any Series One Bond bears interest at a Weekly, Monthly or Commercial Paper Rate, interest on such bond shall be computed on the basis of a 365- or 366-day year (as the case may be) and the actual number of days elapsed. While any Series One Bond bears interest at a Semiannual, Extended or Fixed Rate, interest on such bond shall be computed on the basis of a 360-day year and twelve 30-day months.

(e) Method of Payment. Payments of interest on the Series One Bonds (other than any Credit Purchased Bond) shall be made to the registered Owners thereof (as determined at the close of business on the Record Date next preceding the related Interest Payment Date) by Wire Transfer (if requested in writing of the 1989 Trustee by an Owner of not less than \$1,000,000 aggregate principal amount of Series One Bonds not less than five days prior to the applicable Interest Payment Date) or by check or draft mailed to the address of each such Owner as it appears on the registration books of the Issuer maintained by the 1989 Trustee as Series One Bond Registrar, or to such other address as may be furnished in writing to the 1989 Trustee prior to the applicable Record Date by such registered Owner.

Payment of the principal of and redemption premium (if any) on the Series One Bonds shall be made only upon presentation and surrender of such Series One Bonds (other than any Credit Purchased Bond) on or after the maturity or redemption date, as appropriate, at the principal corporate trust office of the 1989 Trustee.

Payment of all amounts owing under any Credit Purchased Bond shall be made when due by Wire Transfer to such account as the Series One Credit Provider may designate in writing to the 1989 Trustee or in such other manner as may be specified in the Series One Credit Agreement; *provided that* final payment of all amounts owing under any Credit Purchased Bond shall only be made upon presentation and surrender of such Credit Purchased Bond at the principal corporate trust office of the 1989 Trustee.

(f) Provisions for Book-Entry System. The Series One Bonds will be subject to a Book-Entry System of ownership and transfer, except as provided in (iii) below. The general provisions for effecting such Book-Entry System are as follows:

(i) The Issuer hereby designates The Depository Trust Company, New York, New York, as the initial Securities Depository hereunder.

(ii) Notwithstanding the provisions regarding exchange and transfer of Series One Bonds under the Master Ordinance, the Series One Bonds shall initially be evidenced by one certificate for each maturity, in an amount equal to the aggregate principal amount thereof. The Series One Bonds so initially delivered shall be registered in the name of "Cede & Co." as nominee for The Depository Trust Company. The Series One Bonds may not thereafter be transferred or exchanged on the registration books of the Issuer held by the 1989 Trustee as Series One Bond Registrar except:

(A) to any successor Securities Depository designated pursuant to (iii) below;

(B) to any successor nominee designated by a Securities Depository; or

(C) if the Issuer shall, by resolution, elect to discontinue the Book-Entry System pursuant to (iii) below, the Issuer will cause the 1989 Trustee to authenticate and deliver replacement Series One Bonds in fully registered form in Authorized Denominations in the names of the Beneficial Owners or their nominees; thereafter the provisions of the Master Ordinance regarding registration, transfer and exchange of 1989 Compost Project Bonds shall apply.

(iii) Upon the resignation of any institution acting as Securities Depository hereunder, or if the Issuer determines that continuation of any institution in the role of Securities Depository is not in the best interests of the Beneficial Owners, the Issuer will attempt to identify another institution qualified to act as Securities Depository hereunder. If the Issuer is unable to identify such successor Securities Depository prior to the effective date of the resignation, the Issuer shall discontinue the Book-Entry System, as provided in (ii)(C) above.

(iv) So long as the Book-Entry System is used for the Series One Bonds, the 1989 Trustee will give any notice of redemption or any other notices required to be given to Owners of Series One Bonds only to the Securities Depository or its nominee registered as the Owner thereof. Any failure of the Securities Depository 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 Series One Bonds called for redemption or of any other action premised on such notice. Neither the Issuer nor the 1989 Trustee is responsible or liable for the failure of the Securities Depository or any Participant thereof to make any payment or give any notice to a Beneficial Owner in respect of the Series One Bonds or any error or delay relating thereto.

During any period in which the Series One Bonds are subject to the Book-Entry System, the Securities Depository may make an appropriate notation on the Series One Bonds indicating the date and amounts of any reduction in principal resulting from a partial redemption, acceleration or any similar transaction necessitating a reduction in principal amount, other than any such reduction occurring on the final maturity date of a Series One Bond (in which case the certificate evidencing such Series One Bond must be surrendered to the 1989 Trustee prior to the payment thereof at maturity).

(g) Form of Series One Bonds. The Series One Bonds shall be issued in substantially the form attached hereto as the Series One Bond Form Appendix but with such variations, changes, additions and deletions as may be necessary or appropriate and not inconsistent with the provisions of this Series One Supplemental Ordinance; *provided that* in the event the Book-Entry System established hereunder with respect to the Series One Bonds is ever discontinued, the Issuer shall cause to be prepared, executed and delivered to the 1989 Trustee for authentication and exchange a form of Series One Bond which contains such additional details concerning the terms thereof as is customary in connection with bonds of similar type which are not subject to a Book-Entry System.

Section 204. Interest Rate Provisions. Each Series One Bond shall bear interest on the unpaid principal balance thereof at the rate or rates of interest determined and adjusted from time to time in the manner provided in this Article II; *provided that* in no event shall the Series One Bonds bear interest at a rate in excess of the Maximum Rate.

Section 205. Initial Interest Rate Period. During the Initial Interest Rate Period (if any), the Series One Bonds shall bear interest at the Initial Interest Rate, with all interest on the Series One Bonds accruing during such Initial Interest Rate Period to be due and payable in full on the Business Day next following the last day of the Initial Interest Rate Period. Commencing on the Business Day next following the last day of the Initial Interest Rate Period and continuing until changed pursuant to Sections 207 and 208 hereof, the Series One Bonds shall bear interest at a Weekly Rate. Notwithstanding the foregoing or anything expressed or implied herein to the contrary, the Executive Officer, pursuant to Section 1011 hereof, shall determine whether or not there shall be an Initial

Interest Rate Period and if the Executive Officer determines that there shall not be an Initial Interest Rate Period, then and in such event the Series One Bonds shall bear interest at a Weekly Rate from the Closing Date until converted to another Rate Period as provided herein.

Section 206. Variable Rates and Commercial Paper Rates.

(a) Determination by Series One Remarketing Agent; Notice of Rates Determined.

Commencing on the Business Day next following the last day of the Initial Interest Rate Period (if there is to be an Initial Interest Rate Period) or on the Closing Date (if there is not to be an Initial Interest Rate Period), the Series One Bonds shall bear interest at a Weekly Rate determined from time to time by the Series One Remarketing Agent as provided herein until converted to another Rate Period as provided herein. Subject to the further provisions of this Article II with respect to particular Variable Rates, Commercial Paper Rates or conversions between Rate Periods, and subject to the provisions of the Series One Bonds, the Variable or Commercial Paper Rate to be applicable to Series One Bonds during any Variable or Commercial Paper Rate Period shall be determined by the Series One Remarketing Agent as provided in this Section 206 and notice thereof shall be given as follows:

(i) Notice of each preliminary Variable Rate, Minimum Variable Rate, Variable Rate and Commercial Paper Rate (other than any Semiannual or Extended Rate) shall be given by the Series One Remarketing Agent to the Series One Credit Provider, the Series One Tender Agent and the 1989 Trustee (unless at the time such Series One Remarketing Agent is the Series One Tender Agent) by telephone (followed by notice in writing by an authorized officer of the Series One Remarketing Agent) not later than 5:00 p.m. (New York City Time) on the date of determination.

(ii) Notice of each preliminary Semiannual and Extended Rate, and of each Semiannual and Extended Rate, shall be given by the Series One Remarketing Agent to the 1989 Trustee and the 1989 Trustee shall give notice thereof in writing to the Owners of the Series One Bonds not later than 5:00 p.m. (New York City Time) on the third Business Day following the date of determination.

(iii) The Series One Remarketing Agent shall inform the 1989 Trustee, and the 1989 Trustee shall inform the Owners of the Series One Bonds, of Weekly and Monthly Rates, and of Minimum Monthly, Semiannual and Extended Rates, upon request.

(iv) Notice of the Commercial Paper Rate for a Series One Bond shall be given to the purchaser of such Series One Bond pursuant to Section 303(b) hereof, but need not be given to the other Owners of the Series One Bonds in a Commercial Paper Rate Period.

(v) The preliminary Variable Rate, the Minimum Variable Rate or the Variable Rate so to be determined shall be the lowest rate of interest which, in the judgment of the Series One Remarketing Agent, would allow the affected Series One Bonds to have a market value equal to the principal amount thereof, plus accrued interest, under prevailing market conditions as of the date of determination; *provided that:*

(A) if the Series One Remarketing Agent fails for any reason to determine or notify the Series One Tender Agent of:

(1) the Minimum Variable Rate for any Variable Rate Period when required hereunder, the Minimum Variable Rate for such period shall be the Variable Rate then in effect; or

(2) the Variable Rate for any Variable Rate Period when required hereunder, the Variable Rate for such period shall be the Variable Rate (or Minimum Variable Rate, if any) then in effect for the Series One Bonds under consideration;

(B) in no event shall the Variable Rate for any Variable Rate Period be lower than the Minimum Variable Rate for such period; and

(C) in no event shall either the Minimum Variable Rate or the Variable Rate for any Variable Rate Period exceed the Maximum Rate.

All determinations of Minimum Variable Rates and Variable Rates pursuant to this Section shall be conclusive and binding upon the Issuer, the Borrower, the 1989 Trustee, the Series One Paying Agent, the Series One Tender Agent, the Series One Credit Provider, and the Owners of the Series One Bonds. The Issuer, the Borrower, the 1989 Trustee, the Series One Paying Agent, the Series One Tender Agent and the Series One Remarketing Agent shall not be liable to the Owners of any Series One Bond for failure to give any notice required above or for failure of the Owner of any Bond to receive any such notice.

(b) Weekly Rate Periods. Weekly Rate Periods shall be from Wednesday of each week to (but not including) Wednesday of the following week; except that:

(i) in the case of a conversion to a Weekly Rate Period from a different Variable Rate Period or from Commercial Paper Rate Periods, the initial Weekly Rate Period for the Series One Bonds shall be from the Weekly Rate Conversion Date to (but not including) Wednesday of the following week; and

(ii) in the case of a conversion of the Series One Bonds from a Weekly Rate Period to a different Rate Period, the last Weekly Rate Period shall end on the Conversion Date.

The Weekly Rate for each Weekly Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the Business Day which is immediately prior to the commencement date of the Weekly Rate Period to which it relates.

(c) Monthly Rate Periods. Monthly Rate Periods shall be from the first Business Day of each calendar month to (but not including) the first Business Day of the following month.

The Monthly Rate for each Monthly Rate Period shall be determined as follows:

(i) a Minimum Monthly Rate for each Monthly Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the last Business Day which is at least eight days immediately preceding the commencement date of such period; and

(ii) the actual Monthly Rate for each Monthly Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the Business Day immediately preceding the commencement date of such period.

(d) Semiannual Rate Periods. Semiannual Rate Periods shall be:

(i) from the Semiannual Rate Conversion Date for the Series One Bonds and from the first Business Day of each sixth calendar month thereafter; to (but not including)

(ii) the first Business Day of the sixth month thereafter.

The Semiannual Rate for each Semiannual Rate Period shall be determined as follows:

(A) a preliminary Semiannual Rate for each Semiannual Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the last Business Day which is at least 30 days immediately preceding the commencement date of such period;

(B) a Minimum Semiannual Rate for each Semiannual Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the last Business Day which is at least 18 days immediately preceding the commencement date of such period; and

(C) the actual Semiannual Rate for each Semiannual Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the Business Day immediately preceding the commencement date of such period.

(e) Extended Rate Periods. Extended Rate Period shall commence initially on the Extended Rate Conversion Date, and subsequently on the first Business Day of the calendar month following the last day of the prior Rate Period and extend for a period of one year or integral multiples of six months in excess of one year set by the Series One Remarketing Agent, and end on a day which is the last day preceding the first Business Day of a calendar month.

The Extended Rate for each Extended Rate Period shall be determined as follows:

(i) a preliminary Extended Rate for each Extended Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the last Business Day which is at least 30 days immediately preceding the commencement date of such period;

(ii) a Minimum Extended Rate for each Extended Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the last business Day which is at least 18 days immediately preceding the commencement date of such period; and

(iii) the actual Extended Rate for each Extended Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the Business Day immediately preceding the commencement date of such period.

(f) Commercial Paper Rate Periods. The Commercial Paper Rate Periods shall be of such duration, not exceeding 180 days, as may be offered by the Series One Remarketing Agent and specified by the purchaser of the related Series One Bond pursuant to Section 303 or 304 hereof. Each Commercial Paper Rate Period shall:

(i) commence on a Business Day (initially, the Commercial Paper Rate Conversion Date); and

(ii) end on a day which immediately precedes a Business Day.

The Commercial Paper Rate for each Commercial Paper Rate Period shall be effective from the commencement date of such period to the day following the last day thereof. Each such Commercial Paper Rate shall be determined by the Series One Remarketing Agent in connection with the sale of the Series One Bond to which it relates pursuant to Sections 303 or 304 hereof.

Section 207. Conversion between Variable Rate Periods and Commercial Paper Rate Periods.

(a) Conversion at Series One Remarketing Agent's Option. At the option of the Series One Remarketing Agent and upon delivery of an Opinion of Bond Counsel to the Issuer and the 1989 Trustee, the Series One Bonds may be converted from one Variable Rate Period to another or to or from a Commercial Paper Rate Period or Periods, as provided in this Section, which will, in the Series One Remarketing Agent's judgment, from the date of determination, produce the greatest likelihood of the lowest net interest cost to the Issuer and the Borrower during the term of the Series One Bonds; *provided that*, notwithstanding the foregoing, in no event may the Series One Bonds be converted from a Weekly Rate Period to a Commercial Paper Rate Period or any Variable Rate Period other than a Weekly Rate Period unless and until the Issuer has appointed a person or entity to act as Series One Tender Agent during the Rate Period to which the Series One Bonds are to be converted and the person or entity so appointed agrees in writing to act in such capacity. It is recognized that:

(i) the Series One Remarketing Agent may, in the exercise of its judgement, determine Variable or Commercial Paper Rate Periods for the Series One Bonds in order to achieve an average of Commercial Paper Rate Periods that result in interest rates on the Series One Bonds that are higher than those that would be borne by Series One Bonds with shorter Variable or Commercial Paper Rate Periods in order to increase the likelihood of achieving the lowest overall debt service costs to the Issuer and the Borrower by assuring the availability of such interest rates for the longer Variable or Commercial Paper Rate Periods; and

(ii) in view of the uncertainties involved in forecasting interest rates, the Series One Remarketing Agent may establish different Commercial Paper Rate Periods for the Series One Bonds in order to achieve an average of Commercial Paper Rate Periods that, in its judgment, is most likely to achieve the lowest overall debt service on the Series One Bonds during their life.

The Series One Remarketing Agent, in its discretion, may consider such information and resources as it deems appropriate in making the determinations required by this paragraph, but the Series One Remarketing Agent's determination of the Variable or Commercial Paper Rate Period for the Series One Bonds shall be based solely upon the Series One Remarketing Agent's judgment.

(b) Conversion Dates. In the case of conversion between Variable Rate Periods or to a Commercial Paper Rate Period or Periods, the Conversion Date shall be an Interest Payment Date for the Variable Rate Period from which the conversion is to be made; *provided however, that* in the case of a conversion from an Extended Rate Period, the Conversion Date shall be limited to an Interest Payment Date on which a new Extended Rate Period for the Series One Bonds would otherwise have commenced pursuant to Section 206(e) hereof. In the case of conversion from a Commercial Paper Rate Period, the Conversion Date shall be both:

(i) the first Business Day of a calendar month; and

(ii) the last Interest Payment Date on which interest is payable for any and all Commercial Paper Rate Periods theretofore established for any Series One Bond pursuant to Section 303 (as established by a certificate of the Series One Remarketing Agent).

(c) Notice From Series One Remarketing Agent of Conversion. The Series One Remarketing Agent shall give written notice of any such conversion to the Borrower, the 1989 Trustee, the Series One Paying Agent, the Series One Tender Agent, the Issuer and the Series One Credit Provider not less than five Business Days prior to the date on which the Series One Tender Agent is required to notify the Owners of the affected bonds of the conversion pursuant to Section 207(d) below. Such notice shall specify the Conversion Date and the Rate Period to which the conversion will be made.

(d) Notice to Owners. Not less than 30 days prior to the Conversion Date in the case of conversions from a Weekly or Commercial Paper Rate Period or Periods, and not less than 30 days prior to the Conversion Date in all other cases, the Series One Tender Agent shall mail or cause the Series One Paying Agent to mail a written notice of the conversion to the Series One Credit Provider, the Borrower and all of the Owners of the Series One Bonds. A copy of such notice shall be sent to the Issuer and the 1989 Trustee. Such notice shall set forth:

(i) the information contained in the notice from the Series One Remarketing Agent pursuant to Section 207(c) above;

(ii) the Interest Payment Dates for the new Rate Period;

(iii) in the case of conversion to a Variable Rate Period, the dates on which the Series One Remarketing Agent will determine and the Series One Tender Agent will notify the Owners of the preliminary or Minimum Variable Rate (if applicable) and the Variable Rate for the Variable Rate Period commencing on the Conversion Date pursuant to; and

(iv) the matters required to be stated pursuant to Section 304 with respect to purchases of Series One Bonds governed by such Section.

(e) Other Determinations by Series One Remarketing Agent. The preliminary or Minimum Variable Rate (if applicable), the Variable Rate for the Variable Rate Period or the Commercial Paper Rate for each Commercial Paper Rate Period commencing on the Conversion Date shall be determined by the Series One Remarketing Agent in the manner and on the date provided in Section 206. In addition to determining the Variable Rate or Commercial Paper Rates for the Rate Period to which conversion is to be made, the Series One Remarketing Agent shall determine a Weekly Rate at the time specified in Section 206(b) hereof, and give notice thereof to the Series One Tender Agent and the 1989 Trustee, which Weekly Rate shall take effect if needed pursuant to Section 207(f) below.

(f) When Conversion Not Effective. Notwithstanding the delivery of notice of conversion pursuant to Section 207(c) above, conversion to a new Variable or Commercial Paper Rate Period shall not take effect if:

(i) the Series One Remarketing Agent fails to determine a Variable Rate or Commercial Paper Rate (as the case may be) for the Rate Period to which the conversion is to be made;

(ii) any notice required by this Section 207 is not given when required; or

(iii) there is not delivered to the Issuer and the 1989 Trustee an Opinion of Bond Counsel dated as of the Conversion Date.

In any such event, the Series One Bonds which were to be converted shall automatically be converted to a Weekly Rate Period on the date such conversion was to be made, *provided that* any mandatory or optional tender for purchase on the Conversion Date shall nevertheless be carried out. No cancellation of a conversion pursuant to this subsection shall constitute an Series One Event of Default hereunder. Upon the occurrence of an event described in Section 207(f)(i) above, the Weekly Rate shall be the *per annum* rate of interest determined on each Wednesday (or if such day is not a Business Day, the next prior Business Day) by the 1989 Trustee which is equal to the most recently published rate set forth in the Kenny Information Systems 30-day High Grade Index plus 1/5th of one percent, but not to exceed the Maximum Rate.

Section 208. Conversion to Fixed Rate.

(a) Conversion Upon Borrower's Request; Conversion Date. The Series One Bonds shall be converted to bear interest at a Fixed Rate or Rates upon the written request of the Borrower as provided in this Section; *provided that*, in no event shall the Series One Bonds be converted to a Fixed Rate without the prior written consent of the Series One Credit Provider. The Fixed Rate Conversion Date shall be:

(i) in the case of a conversion from a Variable Rate Period other than an Extended Rate Period, an Interest Payment Date for the Series One Bonds on which interest is payable for the Variable Rate Period from which the conversion is to be made;

(ii) in the case of a conversion from an Extended Rate Period, an Interest Payment Date for the Series One Bonds on which a new Extended Rate Period would otherwise have commenced pursuant to Section 206(e) hereof; and

(iii) in the case of a conversion from Commercial Paper Rate Periods, a day which is both (A) the first Business Day of a calendar month and (B) the last Interest Payment Date for the Series One Bonds on which interest is payable for any and all Commercial Paper Rate Periods theretofore established for the Series One Bonds pursuant to Section 206(f) hereof.

Not less than 45 days prior to the Fixed Rate Conversion Date, the Borrower shall give written notice to the 1989 Trustee, the Series One Tender Agent, the Series One Remarketing Agent, the Issuer and the Series One Credit Provider, setting forth:

(1) the election to convert to a Fixed Rate or Rates; and

(2) the proposed Fixed Rate Conversion Date.

The 1989 Trustee, the Series One Credit Provider and the Series One Remarketing Agent shall receive, concurrently with the notice from the Borrower described above, an Opinion of Bond Counsel.

(b) Duties of Series One Remarketing Agent Upon Conversion to Fixed Rate. The Series One Remarketing Agent shall make a preliminary determination of the Fixed Rate or Rates for the Series One Bonds in the same manner as is provided for the final determination of rates pursuant to Section 208(d) below. Such preliminary determination shall be made on a Business Day which is at least 35 days prior to the Fixed Rate Conversion Date. On the date of the preliminary determination, the Series One Remarketing Agent shall notify the Series One Tender Agent, the Issuer, the Borrower, the 1989 Trustee, the Series One Paying Agent, and the Series One Credit Provider, by telephone (promptly confirmed in writing), telegram, telecopy, telex or other similar means of communication of the preliminary Fixed Rate or Rates so determined.

(c) Notice of Conversion to Owners. Subject to the provisions of Section 208(b) above, the Series One Tender Agent shall mail or cause the 1989 Trustee to mail a notice of the proposed conversion to the Owners of all Series One Bonds to be converted. A copy of such notice shall be sent to the Borrower and the Issuer. Such notice shall be mailed not less than 30 days prior to the proposed Fixed Rate Conversion Date. Such notice shall set forth:

(i) the proposed Fixed Rate Conversion Date;

(ii) the dates on which the Series One Remarketing Agent will determine and the Series One Tender Agent will notify the Owners of the Fixed Rate or Rates pursuant to Section 208(d) below;

(iii) the matters required to be stated pursuant to Section 304(c) hereof with respect to purchases of Series One Bonds governed by such Section; and

(iv) the preliminary Fixed Rate or Rates determined pursuant to Section 208(b) above.

(d) Determination of Fixed Rates. The Series One Remarketing Agent shall determine the Fixed Rate or Rates by 3:30 p.m. (New York City Time) not later than the last Business Day that is at least 5 days prior to the Fixed Rate Conversion Date. The Fixed Rate or Rates shall be the lowest rate (not in excess of the Maximum Rate) which, in the judgment of the Series One Remarketing Agent as of the date of determination and under prevailing market conditions, would cause the Series One Bonds to have a market value equal to the principal amount thereof, plus accrued interest. Not later than 4:00 p.m. (New York City Time) on the date of determination of the Fixed Rate or Rates, the Series One Remarketing Agent shall notify the Series One Tender Agent of the Fixed Rate or Rates applicable to each Series One Bond to be converted by telephone (promptly confirmed in writing). Such determination shall be conclusive and binding upon the Issuer, the Borrower, the 1989 Trustee, the Series One Tender Agent, the Series One Credit Provider and the Owners of the Series One Bonds.

The Series One Tender Agent shall make such Fixed Rate or Rates available upon request by telephone (promptly confirmed in writing), telegram, teletype, telex or other similar communication to the Issuer, the Borrower, the 1989 Trustee, the Series One Credit Provider and all Owners who have elected to retain their Series One Bonds. In addition to determining a Fixed Rate or Rates, the Series One Remarketing Agent shall determine a Weekly Rate pursuant to Section 206(b) and give notice thereof to the Series One Tender Agent, the Series One Paying Agent, the 1989 Trustee and the Series One Credit Provider, which Weekly Rate shall take effect if needed pursuant to Section 208(f) below.

(e) [RESERVED]

(f) When Fixed Rate Conversion Not Effective. Notwithstanding the delivery of notice of a Fixed Rate conversion pursuant to Section 208(a) above, conversion to a Fixed Rate Period shall not take effect if:

(i) the Issuer withdraws such notice of conversion not later than the Business Day preceding the date on which the Fixed Rate is to be determined;

(ii) the Series One Remarketing Agent fails to determine a Fixed Rate or Rates; or

(iii) any notice required by this Section 208 is not given when required.

In any of such events, the Series One Bonds shall automatically be converted to a Weekly Rate Period on the date the Fixed Rate conversion was to be made, *provided that* the mandatory tender for purchase pursuant to Sections 304 and 305 hereof shall nevertheless be carried out if notice of the Fixed Rate conversion had been given to the Owners. Withdrawal of a conversion notice shall be given by the Issuer to the 1989 Trustee, the Series One Tender Agent, the Series One Remarketing Agent and the Series One Credit Provider, by telephone, promptly confirmed in writing. No cancellation of a Fixed Rate conversion pursuant to this subsection shall constitute a Series One Event of Default hereunder. If the Series One Bonds are converted to a Weekly Rate, and the Series One Remarketing Agent fails to set a Weekly Rate, the Weekly Rate shall be the *per annum* rate of interest determined on each Wednesday (or if such day is not a Business Day, the next prior Business Day) by the 1989 Trustee which is equal to the most recently published rate set forth in the Kenny Information Systems 30-day High Grade Index plus 1/5th of one percent, but in no event greater than the Maximum Rate.

Section 209. Conditions Precedent to Issuance of Series One Bonds. In addition to complying with the requirements set forth in the Master Ordinance and the 1989 Supplemental Ordinance in connection with the

issuance of the Series One Bonds, all the Series One Bonds shall be executed by the Issuer for delivery to the 1989 Trustee and thereupon shall be authenticated by the 1989 Trustee and delivered as directed by the Issuer, but only upon the further receipt by the 1989 Trustee of:

(a) executed or certified copies of the executed Series One Loan Agreement and the Series One Credit Agreement;

(b) certified copies of the Master Ordinance, the 1989 Supplemental Ordinance and this Series One Supplemental Ordinance;

(c) an opinion of Bond Counsel regarding the due authorization, issuance and validity of the Series One Bonds, the federal tax-exempt status of the interest thereon, and related matters, in form and substance satisfactory to the Issuer, the Underwriter, the 1989 Credit Provider, counsel to the 1989 Credit Provider, the Series One Credit Provider and counsel to the Series One Credit Provider;

(d) an opinion of counsel to the Borrower regarding the due authorization, execution, delivery and validity of the Series One Loan Agreement and other documents, instruments and agreements relating thereto, and setting forth various other opinions regarding the transactions contemplated hereby, all in form and substance satisfactory to Bond Counsel, the Issuer, the Series One Credit Provider, counsel to the Series One Credit Provider, the 1989 Credit Provider, counsel to the 1989 Credit Provider and the Underwriter;

(e) an opinion of counsel to the obligor under the Series One Credit Agreement regarding the due authorization, execution, delivery and validity of the Series One Credit Agreement, in form and substance satisfactory to Bond Counsel, the Issuer, the Series One Credit Provider, counsel to the Series One Credit Provider, the 1989 Credit Provider, counsel to the 1989 Credit Provider and the Underwriter;

(f) an opinion of counsel to the Borrower regarding the truth, accuracy and completeness of the final official statement relating to the Series One Bonds, in form and substance satisfactory to Bond Counsel, the Issuer, the Underwriter, the 1989 Credit Provider, counsel to the 1989 Credit Provider, the Series One Credit Provider and counsel to the Series One Credit Provider;

(g) an opinion of counsel to the Series One Credit Provider, regarding the due authorization, execution, delivery and validity of the Series One Credit Facility and setting forth various other opinions regarding the transactions contemplated hereby, all in form and substance satisfactory to Bond Counsel, the Issuer, the 1989 Credit Provider, counsel to the 1989 Credit Provider and the Underwriter;

(h) an opinion of counsel to the Series One Credit Provider regarding the truth, accuracy and completeness of the statements and information regarding the Series One Credit Provider, the Series One Credit Facility and the Series One Credit Agreement contained in the final official statement relating to the Series One Bonds, in form and substance satisfactory to Bond Counsel, the Issuer, the 1989 Credit Provider, counsel to the 1989 Credit Provider and the Underwriter;

(i) the Series One Credit Facility, duly executed and delivered by the Series One Credit Provider to the 1989 Trustee and in full force and effect;

(j) the written consent of the 1989 Credit Provider to the issuance of the Series One Bonds as Additional Bonds (as defined in the 1989 Supplemental Ordinance) under the 1989 Supplemental Ordinance; and

(k) such other documents, instruments, agreements, certificates, opinions and other materials as may be requested by Bond Counsel, the Issuer, the Underwriter, counsel to the Underwriter, the 1989 Credit

Provider, counsel to the 1989 Credit Provider, the Series One Credit Provider and counsel to the Series One Credit Provider.

ARTICLE III

REDEMPTION AND PURCHASE OF SERIES ONE BONDS

Section 301. Optional Redemption.

(a) Optional Redemption During Weekly, Monthly or Commercial Paper Rate Periods.

The Series One Bonds bearing interest at Weekly, Monthly or Commercial Paper Rates are subject to optional redemption prior to their Stated Maturity, without premium, upon Borrower's written request to the Issuer and the 1989 Trustee in whole on any date or in part on any Interest Payment Date at a price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, *provided that*, in no event shall the Series One Bonds be redeemed pursuant to this Section 301(a) without the prior written consent of the Series One Credit Provider.

(b) Optional Redemption During Semiannual Rate Period. The Series One Bonds bearing interest at Semiannual Rates are subject to optional redemption prior to their Stated Maturity, without premium, upon Borrower's written request to the Issuer and the 1989 Trustee in whole or in part on any Interest Payment Date at a price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, *provided that*, in no event shall the Series One Bonds be redeemed pursuant to this Section 301(b) without the prior written consent of the Series One Credit Provider.

(c) Optional Redemption on Last Interest Payment Date of Extended Rate Period. The Series One Bonds bearing interest at Extended Rates are subject to optional redemption, without premium, upon Borrower's written request to the Issuer and the 1989 Trustee in whole or in part on the final Interest Payment Date of any Extended Rate Period at a price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, *provided that*, in no event shall the Series One Bonds be redeemed pursuant to this Section 301(c) without the prior written consent of the Series One Credit Provider.

(d) Optional Redemption During Fixed Rate Period. The Series One Bonds are subject to redemption after the Fixed Rate Conversion Date upon Borrower's written request to the Issuer and the 1989 Trustee in whole on any date or in part on any Interest Payment Date, upon expiration of the applicable call protection period set forth below, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued and unpaid interest thereon to the date fixed for redemption plus a premium (expressed as percentages of the principal amount to be redeemed) as set forth below, *provided that*, in no event shall the Series One Bonds be redeemed pursuant to this Section 301(d) without the prior written consent of the Series One Credit Provider.

Length of Fixed Rate Period:

Premium Applicable to:

Equal to or greater than:	But less than:	No-call Period:	First and Second Call Date:	Third and Fourth Call Date:	Fifth Call Date and Thereafter:
18 years	N/A	9 years	2%	1%	0%
12 years	18 years	8 years	2%	1%	0%
9 years	12 years	6 years	2%	1%	0%
7 years	9 years	5 years	1%	0%	0%
5 years	7 years	3 years	1%	0%	0%

Section 302. Tenders During Variable Rate Periods.

(a) Purchase Dates. During any Variable Rate Period with respect to the Series One Bonds, the Owners of the Series One Bonds (other than the Series One Credit Provider) may elect to have their Series One Bonds (or portions thereof in Authorized Denominations) purchased at the Purchase Price, on the following Purchase Dates and upon the giving of the following telephonic or written notices meeting the further requirements of Section 302(b) below:

(i) Series One Bonds bearing interest at Weekly Rates may be tendered for purchase on any Business Day upon delivery of a written notice of tender to the Series One Tender Agent not later than 5:00 p.m. (New York City Time) on a Business Day not less than seven days prior to the Purchase Date.

(ii) Series One Bonds bearing interest at Monthly or Semiannual Rates may be tendered for purchase on any Interest Payment Date upon delivery of a written notice of tender to the Series One Tender Agent not later than 5:00 p.m. (New York City Time) on a Business Day which is not less than seven days prior to the Purchase Date in the case of the Series One Bonds bearing interest at Monthly Rates, or 15 days prior to the Purchase Date in the case of Series One Bonds bearing interest at Semiannual Rates.

(iii) Series One Bonds bearing interest at Extended Rates may be tendered for purchase on the commencement date of any Extended Rate Period (other than the Extended Rate Conversion Date) upon delivery of a written notice of tender to the Series One Tender Agent not later than 5:00 p.m. (New York City Time) on a Business Day which is not less than 15 days prior to the Purchase Date.

(b) Notice of Tender. Each notice of tender:

(i) shall, in the case of a written notice, be delivered to the Series One Tender Agent at its principal office and be in form satisfactory to the Series One Tender Agent;

(ii) shall state, whether delivered in writing or by telephone:

(A) the principal amount of the Series One Bond or portion of the Series One Bond to be purchased, the number assigned to such Series One Bond and the Series thereof;

(B) that the Owner irrevocably demands purchase of such Series One Bond or portion thereof;

(C) the date on which such Series One Bond or portion thereof is to be purchased; and

(D) payment instructions; and

(iii) shall automatically constitute, whether delivered in writing or by telephone:

(A) an irrevocable offer to sell the Series One Bond or portion thereof to which the notice relates on the Purchase Date to any purchasers selected by the Series One Remarketing Agent, at the Purchase Price;

(B) an irrevocable authorization and instruction to the Series One Bond Registrar to effect transfer of such Series One Bond or portion thereof upon payment of such price to the Series One Tender Agent on the Purchase Date;

(C) an irrevocable authorization and instruction to the Series One Tender Agent to effect the exchange of the Series One Bond to be purchased in whole or in part for other Series One Bonds in an equal aggregate principal amount and of the same Series and tenor so as to facilitate the sale of such Series One Bond or portion thereof; and

(D) an acknowledgement that such tendering Owner will have no further rights with respect to such tendered Series One Bond or portion thereof, except for the right of such Owner to receive such Purchase Price upon surrender of such Series One Bond to the Series One Tender Agent.

The determination of the Series One Tender Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Owner.

(c) Series One Bonds to be Remarketed. Not later than 4:30 p.m. (New York City Time) on the Business Day immediately following the date of receipt of any notice of tender, the Series One Tender Agent shall notify the Series One Remarketing Agent and the 1989 Trustee of the principal amount of Series One Bonds or portions thereof to be tendered and remarketed and the date they are to be tendered and remarketed. Such notices shall be given by telephone, telegram, teletype, telex or other similar communication and shall be promptly confirmed in writing.

(d) Remarketing of Tendered Bonds. The Series One Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Series One Bonds or portions thereof properly tendered. All Series One Bonds shall be at all times remarketed at par plus accrued and unpaid interest (if any). The terms of any sale by the Series One Remarketing Agent shall provide for the purchase of the Series One Bonds or portions thereof to be tendered at the Purchase Price and the payment of such Purchase Price by the Series One Remarketing Agent at the time specified in Section 306 against delivery of the remarketed Series One Bonds to the Series One Tender Agent at or before 11:30 a.m. (New York City Time) on the Purchase Date. Notwithstanding the foregoing, the Series One Remarketing Agent shall not offer for sale any Series One Bond if notice of conversion from one Variable Rate Period to another, to Commercial Paper Rate Periods or to a Fixed Rate Period has been given to the Owners by the 1989 Trustee, unless the Series One Remarketing Agent has advised the person to whom the offer is made of such conversion and the effect of such conversion on the rights of Owners to tender their Series One Bonds, as described in the conversion notice from the 1989 Trustee to the Owners.

Section 303. Tenders During Commercial Paper Rate Periods.

(a) Purchase Dates. Each Series One Bond bearing interest at a Commercial Paper Rate shall be subject to mandatory tender for purchase at the Purchase Price on the first Business Day following the end of each Commercial Paper Rate Period applicable to such Series One Bond.

(b) Remarketing of Tendered Commercial Paper Bonds. Commencing at 3:00 p.m. (New York City Time) on the Business Day immediately preceding each Purchase Date, the Series One Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Series One Bonds required to be purchased on the ensuing Purchase Date except for Series One Bonds which the Owners have elected to retain as provided in Section 303(c) below. In remarketing the Series One Bonds, the Series One Remarketing Agent shall offer and accept purchase commitments for the Series One Bonds for such Commercial Paper Rate Periods and at such Commercial Paper Rates as it deems to be advisable in order to minimize the net interest cost on the Series One Bonds under prevailing market conditions; *provided, however, that* the foregoing shall not prohibit the Series One Remarketing Agent from accepting purchase commitments for longer Commercial Paper Rate Periods (and at higher Commercial Paper Rates) than are otherwise available at the time of any Series One Remarketing if in the reasonable judgment of the Series One Remarketing Agent, under prevailing market conditions, a lower interest cost on the Series One Bonds can be achieved over the longer Commercial Paper Rate Periods than over a succession of shorter Commercial Paper Rate Periods. No Commercial Paper Rate may be established which exceeds the Maximum Rate; and no Commercial Paper Rate Period may be established which exceeds 180 days or, if the Series One Remarketing Agent has given or received notice of any conversion to a Variable or Fixed Rate Period or notice of a mandatory tender pursuant to Sections 304 or 305, the remaining number of days prior to the Conversion Date, or mandatory tender date, as the case may be. The terms of any sale by the Series One Remarketing Agent shall provide for the purchase of the Series One Bonds to be remarketed at the Purchase Price and the payment of such Purchase Price by the Series One Remarketing Agent at the time specified in Section 304 against delivery of the remarketed Series One Bonds to the Series One Tender Agent at or before 11:30 a.m. (New York City Time) on the Purchase Date.

(c) Election to Retain. Prior to 3:00 p.m. (New York City Time) on the Business Day immediately preceding each Purchase Date for any Series One Bond bearing interest at a Commercial Paper Rate, the Owner thereof may elect to retain such Series One Bond for an additional Commercial Paper Rate Period by giving telephonic notice of such election to the Series One Tender Agent *provided that* prior to such time on such Business Day such Owner has agreed with the Series One Remarketing Agent as to the duration of the additional Commercial Paper Rate Period and the Commercial Paper Rate to be effective during such period subject to the limitations described in Section 303(b) above. Any Owner so electing to retain a Series One Bond shall be required to deliver such Series One Bond and pay the Purchase Price for the Series One Bond for the additional Commercial Paper Rate Period in the same manner as is provided for the purchase of Series One Bonds for resale to a different Owner. Any Owner electing to retain such Bond and pay the Purchase Price shall also be entitled to receive the Purchase Price for such Series One Bond.

Section 304. Tenders Upon Variable, Commercial Paper or Fixed Rate Conversion.

(a) Purchase Dates and Election to Retain. In the case of any conversion from one Rate Period to another, the Series One Bonds to be converted are subject to mandatory tender for purchase on the Conversion Date at the Purchase Price; *provided that* the Owners of such bonds may elect to retain their Series One Bonds notwithstanding a mandatory tender pursuant to this paragraph by giving notice of such election to the Series One Tender Agent. Notice of election to retain Series One Bonds shall be given to the Series One Tender Agent:

(i) in the case of conversion to a Weekly Rate Period, in writing on a Business Day not less than five Business Days prior to the Conversion Date;

(ii) in the case of conversion to a Monthly Rate Period, in writing on a Business Day not less than five Business Days prior to the Conversion Date;

(iii) in the case of conversion to a Semiannual or Extended Rate Period, in writing on a Business Day not less than 15 days prior to the Conversion Date;

(iv) in the case of conversion to a Commercial Paper Rate Period, by telephone not later than 3:00 p.m. (New York City Time) on the Business Day immediately preceding the Commercial Paper Rate Conversion Date; and

(v) in the case of conversion to a Fixed Rate Period, in writing not later than the last Business Day which is at least ten days prior to the date the Fixed Rate is determined pursuant to Section 208(d) hereof.

(b) Notice of Election to Retain. Notices of election to retain Series One Bonds pursuant to Section 304(a) above shall state that the person delivering the same is an Owner, specify the principal amount, Series and number of the Series One Bonds to which such notice relates, and direct the Series One Tender Agent not to purchase the Series One Bonds so specified. In addition, in the case of a conversion to a Fixed Rate Period, such notice shall state:

(i) that the Owner acknowledges that after the Fixed Rate Conversion Date, the Series One Bonds will no longer be subject to tender at the option of the Owner; and

(ii) that the Owner is aware that after the Fixed Rate Conversion Date the rating or ratings assigned to the Series One Bonds may be lowered or withdrawn.

Any such notice given to the Series One Tender Agent shall be irrevocable and binding upon the Owner delivering the same and all subsequent Owners of the Series One Bonds to be retained, including any Series One Bonds to be issued in exchange therefor or upon transfer thereof; except that, in the case of a notice given in connection with a conversion to Commercial Paper Rates, such notice shall be subject to the Owner's ability to reach an agreement with the Series One Remarketing Agent with respect to the initial Commercial Paper Rate Period and Commercial Paper Rate in the manner described in Section 303 hereof.

(c) Notice to Owners. Any notice of a conversion given to Owners pursuant to Section 208(c) hereof shall, in addition to the requirements of such Section, specify:

(i) that the Series One Bonds to be converted will be subject to optional or mandatory tender for purchase on the Conversion Date and the time at which Series One Bonds are to be tendered for purchase;

(ii) the date and time by which any notice of an election to retain Series One Bonds pursuant to this Section must be received; and

(iii) if appropriate, the matters required to be stated in a notice of election to retain Series One Bonds (or contain a form thereof).

(d) Remarketing. At or before 4:00 p.m. (New York City Time) on the Business Day immediately following the last day on which notices of election to retain Series One Bonds may be delivered to the Series One Tender Agent pursuant to Section 304(b) above (or immediately upon receipt of such notice in the case of conversions to Commercial Paper Rate Periods), the Series One Tender Agent shall notify the 1989 Trustee, the Series One Credit Provider, and the Series One Remarketing Agent, by telephone, telegram, telecopy, telex or other similar communication, of the aggregate principal amount of Series One Bonds to be tendered for purchase on the Conversion Date. The Series One Remarketing Agent shall offer for sale and use its best efforts to find purchasers for the Series One Bonds to be tendered. The terms of any sale by the Series One Remarketing Agent shall provide for the purchase of the Series One Bonds to be tendered at the Purchase Price and the payment of such purchase price to the Series One Tender Agent by the Series One Remarketing Agent at the time specified in Section 306 against

delivery of the remarketed Series One Bonds at or before 11:30 a.m. (New York City Time), on the Conversion Date.

Section 305. Tenders Upon Expiration, Substitution or Termination of Series One Credit Facility; Mandatory Purchase Upon Event of Default Under Series One Credit Agreement.

(a) Purchase Dates Upon Expiration, Substitution or Termination of Series One Credit Facility. Prior to the expiration, substitution or termination of the Series One Credit Facility, the Series One Bonds shall be subject to mandatory tender for purchase at the Purchase Price:

(i) on a Business Day which is at least five days prior to the date on which the Series One Credit Facility is to be cancelled in connection with replacement by an Alternate Credit Facility pursuant to Section 604 of this Series One Supplemental Ordinance but only if as a result of such replacement the ratings assigned to the Series One Bonds by the Rating Agencies will be withdrawn or will be lower than the ratings assigned thereto immediately prior to such replacement; or

(ii) on a Business Day which is at least five days prior to a termination or expiration of the Series One Credit Facility.

Notwithstanding paragraphs (i) and (ii) above, the Owners of the Series One Bonds may elect to retain their Series One Bonds by giving notice of such election in writing to the Series One Tender Agent not later than five Business Days prior to the Purchase Date.

(b) Election to Retain In Connection With Purchase Upon Expiration, Substitution or Termination of Series One Credit Facility. Notices of election to retain Series One Bonds shall state that the person delivering the same is an Owner, specify the principal amount, Series and numbers of the Series One Bonds to which such notice relates, and direct the Series One Tender Agent not to purchase the Series One Bonds so specified notwithstanding the occurrence of the event giving rise to the mandatory tender. Any election to retain Series One Bonds given to the Series One Tender Agent shall be irrevocable and binding upon the Owner delivering the same and all subsequent Owners of the Series One Bonds to be retained, including any Series One Bonds issued in exchange therefor. Notices of election shall state, in connection with the mandatory tender pursuant to Sections 305(a)(i) and (ii), that the Owner is aware that as a result of the related Alternate Credit Facility or the expiration of the Series One Credit Facility the rating or ratings assigned to the Series One Bonds may be lowered or withdrawn; state in the case of a mandatory tender pursuant to Section 305(a)(ii) that the Owner is aware that the obligation of the Series One Credit Provider to purchase the Series One Bonds pursuant to the Series One Credit Facility is terminating or expiring and that the Series One Bonds will no longer be subject to purchase at the option of the Owner.

(c) Notice to Owners of Purchase Upon Expiration, Substitution or Termination of Series One Credit Facility. Notice of mandatory tender shall be given by mail by the 1989 Trustee to the Owners of the affected Series One Bonds by two separate mailings at least one week apart, the first of which shall be not less than 30 days prior to the mandatory tender date. Such notice shall specify:

(i) the date by which any notice of election to retain Series One Bonds pursuant to this Section must be received;

(ii) whether the ratings assigned to the Series One Bonds will be reduced or withdrawn; and

(iii) the matters required to be stated in a notice of election to retain Series One Bonds (or contain a form thereof).

A copy of such notice shall be sent to the Issuer, the Series One Tender Agent and the Borrower. Notice having been so given, such mandatory tender shall occur on the date provided in such notice whether or not an Alternate Credit Facility is provided after such initial notice has been given.

(d) Remarketing. At or before 4:00 p.m. (New York City Time) on the Business Day immediately following the last day on which notices of election to retain Series One Bonds may be delivered pursuant to Section 305(a) above, the Series One Tender Agent shall notify the Series One Remarketing Agent by telephone, telegram, telecopy, telex or other similar communication of the aggregate principal amount of Series One Bonds to be tendered for purchase on the mandatory tender date. The Series One Remarketing Agent shall offer for sale and use its best efforts to find purchasers for the Series One Bonds to be tendered pursuant to Section 305(a) above. In the case of replacement of the Series One Credit Facility, the Series One Remarketing Agent shall inform prospective purchasers of the identity of the new Series One Credit Provider and the ratings to be in effect on the Series One Bonds following such conversion. The terms of any sale shall provide for the sale of the Series One Bonds to be tendered at the Purchase Price payable at or before 11:30 a.m. (New York City Time) in immediately available funds.

(e) Mandatory Purchase Upon Occurrence of Event of Default under Series One Credit Agreement. In the event that the Series One Credit Provider shall give written notice to the 1989 Trustee, the Issuer, the Series One Remarketing Agent, the Series One Tender Agent and the Borrower that an Event of Default under and as defined in the Series One Credit Agreement has occurred which has not been waived or cured within the applicable time period and instructing the 1989 Trustee to effect a mandatory purchase pursuant to this Section 305(e), then and in such event all Series One Bonds which are secured by the Series One Credit Facility provided under such Series One Credit Agreement shall be purchased or deemed purchased (as provided in Section 302(l) hereof) on the date specified by the 1989 Trustee as provided below.

Within five days of the date of receipt by the 1989 Trustee of the notice from the Series One Credit Provider described in the immediately preceding paragraph, the 1989 Trustee shall give a written mandatory purchase notice by first class mail, postage prepaid, to the Owners of the Outstanding Series One Bonds subject to mandatory purchase pursuant to this Section, which notice:

(i) shall state that such bonds are subject to mandatory purchase pursuant to this Section by virtue of the occurrence and continuation of an Event of Default under and as defined in the Series One Credit Agreement or by virtue of the occurrence of the circumstances referred to in Section 305(e)(2) above;

(ii) shall specify the Purchase Date, which shall be a Business Day selected by the 1989 Trustee and a date not earlier than the tenth nor later than the seventeenth day following the date of mailing of such notice of mandatory purchase; and

(iii) shall state that all Series One Bonds affected thereby shall be purchased or deemed purchased on such Purchase Date and that no Owner of such Series One Bonds shall have the right to retain such Series One Bonds after such Purchase Date.

Section 306. Purchase of Tendered Bonds.

(a) Notices.

(i) Notice of Purchase of Tendered Bonds. At or before 3:30 p.m. (New York City Time) on the Business Day immediately preceding the Purchase Date (or 10:30 a.m. (New York City Time) on the Purchase Date in the case of Series One Bonds bearing interest at Commercial Paper Rates), the Series One Remarketing Agent shall give notice by telephone, telegram, telecopy, telex or other similar communication to the 1989 Trustee of the principal amount of tendered Series One Bonds which have been

remarketed and of the names, addresses and taxpayer identification numbers of the purchasers and the denominations of remarketed Series One Bonds to be delivered to each purchaser. Upon the receipt of such notice (or, if no notice is received) the 1989 Trustee shall give the related Series One Credit Provider the notices at the time and in the manner required under the related Series One Credit Facility with respect to such Series One Credit Provider's obligation to purchase any such Series One Bonds which have not been remarketed and draw on such Series One Credit Facility pursuant to Article III hereof.

(ii) Failure to Receive Remarketing Proceeds. At or before 11:30 a.m. (New York City Time) on the Purchase Date (being the time set forth in Section 306(d)(i) for the receipt of the Purchase Price of all Series One Bonds which have been remarketed), the Series One Remarketing Agent shall give confirmation by telephone, telegram, teletype, telex or other similar communication to the 1989 Trustee of the principal amount of tendered Series One Bonds with respect to which (A) notice of remarketing was given to the 1989 Trustee pursuant to Section 306(a)(i) and (B) payment of the Purchase Price in accordance with Section 306(d)(i) has been received. Upon the receipt of such confirmation (or, if no confirmation is received) the 1989 Trustee shall give the Series One Credit Provider notice before 12:00 noon (New York City Time) on the Purchase Date in the manner required under the Series One Credit Facility with respect to the Series One Credit Provider's obligation to purchase any remarketed Series One Bonds for which remarketing proceeds have not been received and draw on such Series One Credit Facility pursuant to Article III hereof an amount equal to the Purchase Price of those remarketed Series One Bonds with respect to which the 1989 Trustee has not received confirmation of the receipt of remarketing proceeds.

(b) Sources of Payment. The Series One Remarketing Agent shall pay to the Series One Tender Agent on the Purchase Date all amounts representing proceeds of the Series One Remarketing of such Series One Bonds, such payments to be made in the manner and at the time specified in Sections 302(d), 303(b), 304(d) and 305(d), as applicable. All such proceeds shall be held by the Series One Tender Agent in trust in a separate segregated account and invested solely in Government Obligations which mature not later than the earlier of 30 days after the date of acquisition or the date by which such moneys are expected to be needed to pay the Purchase Price of the related Series One Bonds. The Series One Credit Provider has agreed under the Series One Credit Facility to pay to the 1989 Trustee the Purchase Price of the related Series One Bonds that have not been remarketed on or before 3:30 p.m. (New York City Time) on the Purchase Date.

(c) Payments by the Series One Tender Agent; Payments Due on Saturdays, Sundays and Holidays. Before 4:00 p.m. (New York City Time), on the Purchase Date and upon receipt by the Series One Tender Agent of 100% of the aggregate Purchase Price of the tendered Series One Bonds, the Series One Tender Agent shall pay the Purchase Price of such Series One Bonds to the Owners thereof at its Delivery Office or by bank Wire Transfer. Such payments shall be made in immediately available funds. Payments of such Purchase Price are to be made from the following sources in the order of priority indicated:

(i) the proceeds of the sale of the Series One Bonds which have been remarketed by the Series One Remarketing Agent pursuant to Section 302 of this Series One Supplemental Ordinance (other than proceeds of a sale of the Series One Bonds to the Borrower, any of the Affiliates of the Borrower, or the Issuer);

(ii) moneys paid to the 1989 Trustee pursuant to the Series One Credit Facility; and

(iii) moneys deposited by the Borrower with the 1989 Trustee for the specific purpose of paying the Purchase Price of any Series One Bonds .

Whenever the Purchase Date for any Series One Bond falls on a day which is not a Business Day, then payment of the Purchase Price of such Series One Bond shall be made (upon delivery of such Series One Bond to the

Series One Tender Agent as provided above) on the next Business Day with the same force and effect as if made on the applicable Purchase Date.

(d) Registration and Delivery of Tendered or Purchased Bonds. On the Purchase Date, the Bond Registrar shall register and deliver (or hold) all Series One Bonds purchased on any Purchase Date as follows:

(i) Series One Bonds purchased or remarketed by the Series One Remarketing Agent shall be registered in accordance with the instructions of the Series One Remarketing Agent and made available to be picked up by the Series One Remarketing Agent against payment of the Purchase Price by 11:30 a.m. (New York City Time); and

(ii) Series One Bonds purchased under a Series One Credit Facility shall be registered in the name of the related Series One Credit Provider or its nominee and shall be delivered to such Series One Credit Provider or to its agent.

(e) Delivery of Bonds; Effect of Failure to Surrender Bonds. All Series One Bonds to be purchased on any date shall be required to be delivered to the Delivery Office of the Series One Tender Agent at or before 11:30 a.m. (New York City Time) on the Purchase Date, except that Series One Bonds bearing interest at Semiannual or Extended Rates being tendered for purchase at the election of the Owner pursuant to Section 302 shall be delivered to the Delivery Office of the Series One Tender Agent along with the notice of tender.

If the Owner of any Series One Bond (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such Series One Bond to the Series One Tender Agent for purchase on the Purchase Date, and if the Series One Tender Agent is in receipt of the Purchase Price therefor, such Series One Bond (or portion thereof) shall nevertheless be deemed purchased on the Purchase Date and ownership of such Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in Section 306(d) above. Any Owner who fails to deliver a Series One Bond for purchase as required above shall have no further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Series One Bond to the Series One Tender Agent. The Series One Tender Agent shall promptly notify the 1989 Trustee of any such failure to deliver a Series One Bond to the Series One Tender Agent and the 1989 Trustee shall be entitled to conclusively rely on such notification.

(f) No Physical Delivery Required While Book-Entry System in Place. Notwithstanding anything expressed or implied in this Series One Supplemental Ordinance to the contrary, so long as the Book-Entry System for the Series One Bonds is maintained by the Issuer, there shall be no requirement of physical delivery to the Series One Tender Agent of any Series One Bonds subject to mandatory or optional purchase as a condition to the payment of the Purchase Price therefor. Rather notice of any change in ownership of any Series One Bond as a result of any such mandatory or optional purchase shall be given by the Series One Remarketing Agent to DTC by telephone, telegram, teletype, telex or other similar communication on or before 12:00 noon (New York City time) on the applicable Purchase Date and DTC shall thereupon register the transfer of Beneficial Ownership of such Series One Bond as directed in such notice, whereupon the Purchase Price shall be paid to the former Beneficial Owner thereof.

Section 307. Credit Purchased Bonds. In the event that any Series One Bonds are registered in the name of a Series One Credit Provider pursuant to Section 306(d), the Series One Remarketing Agent shall continue to offer for sale and use its best efforts to sell such Series One Bonds at the Purchase Price. Prior to such remarketing, the Series One Tender Agent shall deliver such Series One Bonds to the Series One Credit Provider or its designee, or, if so instructed by such Series One Credit Provider, shall hold such Series One Bonds on its behalf, *provided that*, so long as the Book-Entry System for the Series One Bonds is maintained by the Issuer, notice of any change in ownership shall be given to DTC as described above in Section 306(f). While a Series One Credit Facility is effective, Series One Bonds paid for with funds made available under such Series One Credit Facility shall not be delivered upon remarketing unless such Series One Credit Facility is automatically reinstated for the principal

amount thereof and interest thereon in accordance with its terms or the Series One Remarketing Agent, the Series One Paying Agent, the Series One Tender Agent and the 1989 Trustee have been advised by such Series One Credit Provider that it has elected to reinstate such Series One Credit Facility for the required amount. The initial Series One Credit Facility provides that it is automatically reinstated for the principal amount and interest on Credit Purchased Bonds which are remarketed in accordance with its terms.

Section 308. No Purchase or Sales After Certain Defaults. Anything in this Series One Supplemental Ordinance to the contrary notwithstanding, there shall be no purchase or sales of Series One Bonds pursuant to this Article III:

(a) if there shall have occurred and be continuing a Series One Event of Default described in Section 701(a)(i) of this Series One Supplemental Ordinance by virtue of the failure of the 1989 Trustee to properly draw under the Series One Credit Facility amounts sufficient to pay when due the amounts owing under the Series One Bonds; or

(b) if:

(i) (A) the obligation of the Series One Credit Provider to purchase Series One Bonds pursuant to the Series One Credit Facility has expired or has been terminated; or

(B) if the Series One Credit Provider is in default under the Series One Credit Facility; and

(ii) no Alternate Credit Facility has been obtained in replacement for the Series One Credit Facility pursuant to Article VI of this Series One Supplemental Ordinance.

Promptly upon receiving actual notice or knowledge of the same, the 1989 Trustee shall give notice to each Owner of Series One Bonds, the Series One Remarketing Agent, the Series One Tender Agent, and the Series One Credit Provider of the occurrence and continuance of any of the events set forth in the preceding paragraph and that such event results in no purchases or sales of Series One Bonds being permitted pursuant to this Article, and of the curing of any of such events and that consequently the purchases and sales are again permitted pursuant to this Article.

Section 309. Insufficient Funds for Purchases. If the moneys available for purchase of Series One Bonds pursuant to this Article III are inadequate for the purchase of all Series One Bonds tendered on any Purchase Date, all Series One Bonds subject to such purchase shall continue to bear interest at the same rate as in effect on the day prior to the Purchase Date to the date on which the earliest of the following occurs:

(i) the Fixed Rate Conversion Date for the affected Series One Bonds;

(ii) the date on which any default by the related Series One Credit Provider under the terms of the related Series One Credit Facility has been cured; or

(iii) the date on which an Alternate Credit Facility meeting the requirements of the applicable provisions of Article VI of this Series One Supplemental Ordinance has been obtained as security for the affected Series One Bonds.

If the preceding paragraph becomes applicable, the Series One Tender Agent shall immediately (but no later than the end of the next succeeding Business Day):

(A) return all affected tendered Series One Bonds to the Owners thereof;

(B) return all moneys received for the purchase of such Series One Bonds to the persons who provided such moneys; and

(iii) notify all affected Owners in writing of the interest rate to be effective pursuant to the preceding paragraph and the term during which it will be effective in accordance with the provisions of this Section.

Section 310. Restriction on Remarketing of Bonds to Issuer or Borrower. So long as the Series One Credit Facility is effective, no Series One Bond tendered pursuant to this Article III shall be remarketed to the Issuer or the Borrower or any of the Borrower's Affiliates. The Series One Tender Agent shall not be required to monitor the actions of the Series One Remarketing Agent to insure that it will not sell Series One Bonds to the Borrower or any of its Affiliates.

ARTICLE IV

DEPOSIT AND APPLICATION OF BOND PROCEEDS; ESTABLISHMENT AND OPERATION OF ACCOUNTS

Section 401. Establishment of Accounts. There is hereby established with the Series One Trustee the following account, which shall be a special separate subaccount of the Master Project Account established under the Master Ordinance, and the following subaccounts, which shall be separate subaccounts of certain accounts established under the 1989 Supplemental Ordinance:

- (i) the Series B Refunding Account;
- (ii) the Series One Subaccount of the 1989 Construction Account;
- (iii) the Series One Subaccount of the 1989 Debt Service Account; and
- (iv) the Series One Subaccount of the 1989 Rebate Account.

Section 402. Use of Series One Bond Proceeds. The proceeds of sale of the Series One Bonds shall, as soon as practicable upon the delivery thereof to the 1989 Trustee, be applied as follows:

- (a) an amount equal to the accrued interest paid by the initial purchasers of the Series One Bonds shall be deposited in the Series One Subaccount of the 1989 Debt Service Account;
- (b) an amount sufficient to satisfy the requirements established under the Master Ordinance and the 1989 Supplemental Ordinance for refunding the Series B Bonds shall be deposited in the Series B Refunding Account; and
- (c) the balance shall be deposited in the Series One Subaccount of the 1989 Construction Account.

In addition, on the Interest Payment Date on which the Series B Bonds are redeemed the following transfers shall be made:

(d) all moneys properly attributable to the Series B Bonds, in an amount specified in writing by or on behalf of the Issuer to be provided to the 1989 Trustee on or before the Closing Date, shall be transferred from the 1989 Construction Account, but not from the Series One Subaccount thereof, to the Series One Subaccount of the 1989 Construction Account;

(e) all moneys in the Series B Reserve Account shall be transferred to the Series One Subaccount of the 1989 Construction Account; and

(f) all moneys properly attributable to the Series B Bonds (except for the amount required to pay accrued interest on the Series B Bonds on the Interest Payment Date on which the Series B Bonds are redeemed), in an amount specified in writing by or on behalf of the Issuer to be provided to the 1989 Trustee on or before the Closing Date, shall be transferred from the 1989 Debt Service Account, but not from the Series One Subaccount thereof, to the Series One Subaccount of the 1989 Debt Service Account.

Section 403. The Series One Subaccount of the 1989 Construction Account. Amounts on deposit in the Series One Subaccount of the 1989 Construction Account shall be disbursed and applied from time to time to pay the Capital Costs of the 1989 Compost Project upon compliance with the requisition provisions set forth in this Section. Upon the receipt by the 1989 Trustee of a Requisition Certificate signed by the Borrower and meeting the requirements of Section 5.1 of the Series One Loan Agreement, the 1989 Trustee shall disburse from the Series One Subaccount of the 1989 Construction Account to or upon the order of the Borrower the amount requested in such Requisition Certificate.

Notwithstanding anything expressed or implied herein to the contrary:

(i) not less than 95% of the moneys and investment earnings on deposit in the Series One Subaccount of the 1989 Construction Account shall be expended for Qualifying Costs; and

(ii) in no event shall the proceeds of the Series One Bonds be expended to pay Costs of Issuance in excess of two percent (2%) of the proceeds of the Series One Bonds (within the meaning of Code Section 147(g)(1)).

Any balance remaining in the Series One Subaccount of the 1989 Construction Account after payment of all Capital Costs of the 1989 Compost Project shall be transferred to and deposited in the Series One Subaccount of the 1989 Debt Service Account and applied, to the extent possible, to redeem Series One Bonds at the earliest possible date at which such bonds may be redeemed without premium, with any amounts remaining after such redemption of Series One Bonds to be used to pay interest on the Series One Bonds then Outstanding; *provided that* pending such application the moneys so transferred to the Series One Subaccount of the 1989 Debt Service Account shall be invested at such yield as shall be specified in an Opinion of Bond Counsel delivered to the Issuer, the Borrower and the 1989 Trustee.

Section 404. The Series B Refunding Account. The amounts deposited in the Series B Refunding Account are to be deposited therein for the purpose of redeeming and retiring the Series B Bonds as provided in and pursuant to the 1989 Supplemental Ordinance. The amounts on deposit in the Series B Refunding Account shall be invested in Investment Securities as the Issuer shall, at the direction of the Borrower and with the reasonable consent of the 1989 Credit Provider, specify on the Closing Date. The amounts on deposit in the Series B Refunding Account shall be held by the 1989 Trustee in trust for the sole and exclusive benefit of the holders of the Series B Bonds and, as long as the 1989 Credit Facility remains in full force and effect with respect to the Series B Bonds, the

1989 Credit Provider, to secure the performance of the Borrower obligations under the 1989 Credit Agreement with respect to the Series B Bonds, and shall be used by the 1989 Trustee for the purpose of paying the redemption price of (1) all Credit Purchased Bonds acquired by the 1989 Credit Provider on or after the date on which formal, irrevocable notice is provided to owners of the Series B Bonds of the redemption date established by the Borrower with respect to the Series B Bonds, which Credit Purchased Bonds shall be redeemed as soon as practicable following the date on which they are acquired by the 1989 Credit Provider, (2) all Series B Bonds outstanding on the redemption date established by the Borrower with respect to the Series B Bonds and (3) to the extent otherwise permitted under the 1989 Supplemental Ordinance, to pay any other amounts owed with respect to the Series B Bonds. The amounts on deposit in the Series B Refunding Account shall not secure or be available to pay any amounts owing on any outstanding bonds other than the Series B Bonds, and no holders of any bonds (other than the holders of the Series B Bonds) shall have any right, title or interest therein or claim thereto. Any moneys remaining on deposit in the Series B Refunding Account after payment in full of all amounts owing under the Series B Bonds shall be transferred to the Series One Subaccount of the 1989 Construction Account.

Section 405. The Series One Subaccount of the 1989 Debt Service Account. In addition to the deposit required by Sections 402 and 403 hereof, there shall be deposited in the Series One Subaccount of the 1989 Debt Service Account all Series One Loan Repayments as and when received by the 1989 Trustee. On each date upon which any amounts of principal of, premium (if any) or interest on the Series One Bonds are due and payable, the 1989 Trustee shall withdraw from the Series One Subaccount of the 1989 Debt Service Account an amount equal to the amounts due on the Series One Bonds and use the amounts so withdrawn to pay to the Owners of the Series One Bonds the amounts so due thereon; *provided that* if, on any payment date for the Series One Bonds, the principal, interest or premium due on the Series One Bonds on such date has been paid from moneys drawn under the Series One Credit Facility, then the 1989 Trustee, after payment of all amounts due on the Series One Bonds on such date, shall withdraw from the Series One Subaccount of the 1989 Debt Service Account, to the extent available, an amount equal to the amount drawn under the Series One Credit Facility for the purpose of paying such amounts and shall pay the amount so withdrawn to the related Series One Credit Provider in repayment of the corresponding amount owing under the related Series One Credit Agreement. Pursuant to the Amended and Restated Intercreditor Agreement, Series One Loan Repayments (but not moneys drawn under the Series One Credit Facility) are subordinate in right of payment to Series A Loan Repayments.

Section 406. The Series One Subaccount of the 1989 Rebate Account.

(a) Calculation of Rebate Amount; Deposits to and Withdrawals from the Series One Subaccount of the 1989 Rebate Account. The Issuer, pursuant to the Series One Loan Agreement, has covenanted and agreed that, in accordance with the applicable provisions of the Code, it shall cause a Rebate Analyst to calculate the Rebate Amount accruing with respect to each issue of Series One Bonds as provided herein. Within 25 days after the close of each Calculation Period for each issue of Series One Bonds and within 25 days after the final payment in full of all 1989 Compost Project Bonds of a particular issue, the 1989 Trustee shall provide the Issuer and the Rebate Analyst with detailed information concerning the investments made during the Calculation Period just ended out of any moneys held by the 1989 Trustee hereunder which relate to such issue of Series One Bonds and the Rebate Analyst shall compute the Rebate Amount for such issue of Series One Bonds in accordance with the requirements of Section 148(f) of the Code and shall provide to the Borrower, the Issuer and the 1989 Trustee a Rebate Report setting forth such calculations.

In the event a Rebate Report shows a positive Rebate Amount, the Borrower shall deposit into the Series One Subaccount of the 1989 Rebate Account an amount equal to such Rebate Amount.

In the event that a Rebate Report shows that the amounts on deposit in the Series One Subaccount of the 1989 Rebate Account exceed the cumulative Rebate Amount for all prior Calculation Periods, the 1989 Trustee is directed to transfer an amount equal to the amount of such excess from the Series One Subaccount of the 1989

Rebate Account to the Series One Subaccount of the 1989 Debt Service Account (but only to the extent of any amounts on deposit in the Series One Subaccount of the 1989 Rebate Account).

Amounts on deposit from time to time in the Series One Subaccount of the 1989 Rebate Account shall, to the extent practicable, be invested by the 1989 Trustee in such Government Obligations as the Borrower shall direct in writing.

(b) Payment of Rebate Amount to United States. Not later than 30 days after the end of the first Installment Computation Date for each issue of Series One Bonds and every Installment Computation Date thereafter for each issue of Series One Bonds, the 1989 Trustee shall pay to the United States of America, from moneys on deposit in the Series One Subaccount of the 1989 Rebate Account or, if moneys on deposit in the Series One Subaccount of the 1989 Rebate Account are insufficient or unavailable to make such payments, from moneys paid by the Borrower, at least 90% of the Excess Earnings during the preceding Calculation Period for such issue of Series One Bonds and 100% of the investment earnings on such Excess Earnings. In addition, not later than 60 days after the Final Computation Date for each issue of Series One Bonds, the 1989 Trustee shall pay to the United States of America all amounts required to be paid thereto in respect of such issue pursuant to Section 148(f) of the Code as set forth in the final Rebate Report, said payment to be made out of moneys on deposit in the 1989 Rebate Account or, to the extent the moneys on deposit in the Series One Subaccount of the 1989 Rebate Account are insufficient for such purpose, out of moneys paid by the Borrower.

Notwithstanding anything expressed or implied herein to the contrary, it is the intent that there shall be paid to the United States of America, out of moneys on deposit in the Series One Subaccount of the 1989 Rebate Account or payments made by the Borrower, all amounts required to be paid pursuant to Section 148(f) of the Code at the times required thereby.

(c) Conformance to the Code Requirements; "Issue" Defined. Notwithstanding anything expressed or implied herein to the contrary:

(i) the provisions of this Section 406 may be amended from time to time by the Borrower, the Issuer and the 1989 Trustee without the consent of or notice to any Owners in order to conform to the requirements of the Code regarding the payment of the Rebate Amount to the United States of America or the manner or time of calculating such Rebate Amount; and

(ii) in no event shall the Borrower be deemed to be in default in respect of its obligations under this Section 406 so long as all actions taken by the Borrower with respect to the calculation of the Rebate Amount and the payment thereof to the United States of America conform to the requirements of the Code as such requirements may be changed, modified or amended from time to time.

As used in this Section 406 and as used in the definitions of the terms "Bond Year", "Calculation Period", "Excess Earnings" and "Rebate Amount" that appear in Article I hereof, the phrase "issue of Series One Bonds" or any words of similar import shall mean all Series One Bonds of any Series which, for purposes of the arbitrage rebate provisions of the Code, are considered to be a single issue of bonds.

Notwithstanding anything expressed or implied herein or in any Supplemental Ordinance to the contrary, the covenants of the Borrower set forth in this Section 406 shall survive the payment in full and/or defeasance of all Outstanding Series One Bonds or any particular issue of Series One Bonds.

Section 407. Investment of Moneys in Accounts. Subject to the restrictions hereinafter set forth in this Section and compliance with the provisions of Section 3.3 of the Series One Loan Agreement and notwithstanding the provisions of any other ordinance of the Issuer:

(i) any moneys held in the Series One Subaccount of the 1989 Construction Account shall be invested and reinvested by the 1989 Trustee upon the written instructions of the Borrower in Investment Securities, maturing no later than the date on which it is estimated that such moneys will be required to be paid out hereunder; and

(ii) any moneys held in the Series One Subaccount of the 1989 Debt Service Account shall be invested and reinvested by the 1989 Trustee upon the written instructions of the Borrower in Permitted Investments, maturing no later than the date on which it is estimated that such moneys will be required to be paid out hereunder.

The 1989 Trustee may make any and all such investments through its own investment department. Neither the Issuer nor the 1989 Trustee shall be responsible or liable for the performance of any such investments or for keeping the moneys held by either hereunder fully invested at all times. Any obligations acquired by the 1989 Trustee as a result of such investment or reinvestment shall be held by or under the control of the 1989 Trustee (except for such investments held in book entry form) and shall be deemed to constitute a part of the account from which the moneys used for its purchase were taken. All investment income shall be retained in the Account to which the investment is credited from which such income is derived except to the extent such income is required to be deposited in the Series One Subaccount of the 1989 Rebate Account. Subject to the restrictions on the types of investments permitted to be made from the moneys on deposit in the various Accounts established hereunder, the moneys in each such Account may be co-mingled for purposes of investment.

ARTICLE V

THE 1989 TRUSTEE THE SERIES ONE REMARKETING AGENT AND THE SERIES ONE TENDER AGENT

Section 501. Acceptance by 1989 Trustee. First Interstate Bank of Oregon, N.A., in its capacity as 1989 Trustee under the 1989 Supplemental Ordinance is hereby appointed to act as trustee, Series One Bond Registrar, and Series One Paying Agent for the Series One Bonds under and pursuant to this Series One Supplemental Ordinance. First Interstate Bank of Oregon, N.A. shall evidence acceptance of such appointment and its agreement to perform the duties of 1989 Trustee under this Series One Supplemental Ordinance by means of a written instrument of acceptance signed by its authorized officer and delivered to the Issuer.

Section 502. Responsibilities of 1989 Trustee. Any recitals of fact contained in the Series One Supplemental Ordinance or in the Series One Bonds shall be taken as the statements of the Issuer and no 1989 Trustee assumes any responsibility for the correctness of the same. The 1989 Trustee makes no representations as to the validity or sufficiency of this Series One Supplemental Ordinance or of any Series One Bonds issued hereunder or as to the security afforded by this Series One Supplemental Ordinance, and the 1989 Trustee shall not incur any liability in respect thereof. The 1989 Trustee shall not be under any obligation or duty to perform any act which would involve it in any expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of the next paragraph, the 1989 Trustee

shall not be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct, or default.

The 1989 Trustee, prior to the occurrence of a Series One Event of Default and after the curing of all Series One Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Series One Supplemental Ordinance. In case a Series One Event of Default has occurred (which has not been cured) the 1989 Trustee shall exercise such of the rights and powers vested in it by this Series One Supplemental Ordinance, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of her own affairs. Any provision of this Series One Supplemental Ordinance relating to action taken or to be taken by the 1989 Trustee or to evidence upon which the 1989 Trustee may rely shall be subject to the provisions of this Article.

Section 503. Evidence on Which 1989 Trustee May Act. The 1989 Trustee, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of this Series One Supplemental Ordinance, shall examine such instrument to determine whether it conforms to the requirements of this Series One Supplemental Ordinance and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. 1989 Trustee may consult with counsel, who may or may not be Bond Counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Series One Supplemental Ordinance in good faith and in accordance therewith.

Whenever 1989 Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Series One Supplemental Ordinance, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Issuer, the 1989 Credit Provider, the Series One Credit Provider, the Series One Remarketing Agent or the Borrower, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Series One Supplemental Ordinance upon the faith thereof; but in its discretion the 1989 Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Except as otherwise expressly provided in this Series One Supplemental Ordinance, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Issuer to 1989 Trustee shall be sufficiently executed in the name of the Issuer by an Authorized Issuer Representative thereof.

Section 504. Compensation. Pursuant to the Series One Loan Agreement, the Borrower shall cause to be paid to the 1989 Trustee from time to time reasonable compensation for all services rendered under this Series One Supplemental Ordinance, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under this Series One Supplemental Ordinance and the 1989 Trustee shall have a lien therefor on any and all funds at any time held by it under this Series One Supplemental Ordinance except with respect to: (i) any monies drawn under the Series One Credit Facility; and (ii) moneys representing the proceeds derived from the Series One Remarketing of any Series One Bonds required to be purchased hereunder.

Section 505. [RESERVED]

Section 506. Resignation of 1989 Trustee. The 1989 Trustee may at any time resign and be discharged of the duties and obligations created by this Series One Supplemental Ordinance (without the requirement that the 1989 Trustee also resign its duties with respect to the Series A Bonds under the 1989 Supplemental Ordinance) by giving not less than sixty (60) days' written notice to the Issuer, the Borrower, the Series One Credit Provider and the 1989 Credit Provider, and mailing notice thereof, postage prepaid, specifying the date when such resignation shall take effect, to each Owner of Series One Bonds then Outstanding at his address appearing upon the

registry books of the Issuer, and such resignation shall take effect upon the later to occur of the day specified in such notice or the appointment by the Issuer of a trustee to succeed to the 1989 Trustee's duties under this Series One Supplemental Ordinance. Any resignation by the 1989 Trustee of its duties under this Series One Supplemental Ordinance shall not take effect until the appointment of a successor trustee.

Section 507. [RESERVED]

Section 508. [RESERVED]

Section 509. [RESERVED]

Section 510. [RESERVED]

Section 511. Series One Tender Agent; Duties of Series One Tender Agent. Until the final maturity of all Series One Bonds which could bear interest at a Variable Rate or a Commercial Paper Rate, there shall be a Series One Tender Agent appointed by the Issuer and subject to direction of the 1989 Trustee in the purchase of Series One Bonds pursuant to Article III and payment of the Purchase Price therefor. Without limiting the foregoing, the Issuer hereby covenants and agrees that prior, and as a condition precedent, to the conversion of the Series One Bonds to a Commercial Paper Rate Period or any Variable Rate Period (other than a Weekly Rate Period), it shall appoint a person or entity other than the Series One Remarketing Agent to act in the capacity of Series One Tender Agent during such Rate Period. First Interstate Bank of Oregon, N.A. is hereby appointed to act as initial Series One Tender Agent hereunder and shall signify its acceptance of such appointment by executing and delivering to the Issuer and the 1989 Trustee an appropriate instrument. Such Series One Tender Agent shall at all times be a bank, trust company or member of the National Association of Securities Dealers, Inc., organized and doing business under the laws of the United States or of any state, with a combined capital and surplus of at least \$75,000,000, or, in the case of any Series One Tender Agent which is not a bank or trust company, whose debt obligations, or the debt obligations of its parent company, shall be rated not lower than "aa/P3" by Moody's, and, except with respect to a member of the National Association of Securities Dealers, Inc., authorized under such laws to exercise corporate trust powers and subject to supervision or examination by Federal or state authority. During any period in which the Series One Bonds are not subject to the Book-Entry System, the Series One Tender Agent must also be an entity having an office in the City and County of New York, New York. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any corporation into which any Series One Tender Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation, or conversion to which any Series One Tender Agent shall be a party, or any corporation succeeding to the corporate trust business of any Series One Tender Agent, shall be the successor of the Series One Tender Agent hereunder, if such successor corporation is otherwise eligible under this Section, without the execution or filing of any further act on the party or the parties hereto or the Series One Tender Agent or such successor corporation.

Any Series One Tender Agent may resign by giving written notice of resignation to the 1989 Trustee, the Issuer, the Series One Credit Provider, if the Series One Credit Facility is then in effect, and the Borrower. The Issuer may terminate the agency of any Series One Tender Agent by giving written notice of termination to such Series One Tender Agent, the Series One Credit Provider, the Borrower and the 1989 Trustee. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Series One Tender Agent shall cease to be eligible under this Section, the Issuer shall promptly appoint a successor Series One Tender Agent, and shall give written notice of such appointment to the 1989 Trustee, the Series One Credit Provider, the Borrower and the Owners.

No such resignation or removal shall take effect until a successor Series One Tender Agent shall have been appointed and agrees to act in such capacity. If no successor Series One Tender Agent has accepted appointment within 30 days after the Series One Tender Agent has given notice of its resignation as provided above, the Series One Tender Agent may petition any court of competent jurisdiction for the appointment of a temporary successor Series One Tender Agent, *provided that* any Series One Tender Agent so appointed shall immediately and without further act be superseded by any Series One Tender Agent appointed by the Issuer as provided above.

The Issuer will cause a Series One Tender Agent other than the 1989 Trustee to execute and deliver to the 1989 Trustee an instrument in which such Series One Tender Agent shall agree with the 1989 Trustee, subject to the provisions of this Section, that such Series One Tender Agent will:

(i) hold all sums held by it for the payment of the Purchase Price of Series One Bonds in a separate account for the benefit of the Owners of such Series One Bonds until such sums shall be paid to such Owners or otherwise disposed of as herein provided and, if the funds are invested, they shall be invested in Investment Securities at the written request of the Borrower;

(ii) at any time, upon the written request of the 1989 Trustee, forthwith pay to the 1989 Trustee all sums so held by such Series One Tender Agent; and

(iii) observe and perform the obligations of the Series One Tender Agent hereunder.

The 1989 Trustee may at any time, for the purpose of obtaining the satisfaction and discharge of this Series One Supplemental Ordinance or for any other purpose, direct the Series One Tender Agent to pay to the 1989 Trustee all money held by such Series One Tender Agent; and, upon such payment by the Series One Tender Agent to the 1989 Trustee, the Series One Tender Agent shall be released from all further liability with respect to such money.

Section 512. Series One Remarketing Agent. Until the final maturity of all Series One Bonds which could bear interest at a Variable Rate or a Commercial Paper Rate, there shall be a Series One Remarketing Agent selected by the Borrower subject to the conditions set forth in this Section 512. The Series One Remarketing Agent initially appointed hereunder is Donaldson, Lufkin & Jenrette Securities Corporation, which shall signify its acceptance of such appointment by executing and delivering to the Issuer and the 1989 Trustee an appropriate instrument. The Series One Remarketing Agent shall designate to the 1989 Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Issuer, the 1989 Trustee and the Borrower. The Series One Remarketing Agent shall by acceptance of its appointment agree to, and shall, do each of the following:

(a) act as agent for the Borrower in determining the Variable Rates, Commercial Paper Rates and the Fixed Rate, act as agent for Owners in receiving and holding Series One Bonds tendered for purchase and moneys to pay the Purchase Price thereof, and act as agent for the Borrower in performing all other functions as Series One Remarketing Agent under the Series One Supplemental Ordinance;

(b) hold all Series One Bonds delivered to it by the Series One Tender Agent in trust for the benefit of the respective Owners which shall have so delivered such Series One Bonds to the Series One Tender Agent until moneys representing the Purchase Price of such Series One Bonds shall have been delivered to or for the account of or to the order of such Owners;

(c) hold all moneys delivered to it hereunder for the purchase of Series One Bonds in trust for the benefit of the person which shall have so delivered such moneys until the Series One Bonds purchased with such moneys shall have been delivered to or for the account of such person, and not co-mingle such moneys with other funds of the Series One Remarketing Agent;

(d) keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the Issuer, the Series One Credit Provider, the 1989 Trustee and the Borrower at all reasonable times; and

(e) perform the duties of Series One Remarketing Agent and comply with the provisions applicable to such duties set forth in Articles II and III hereof.

The Series One Remarketing Agent shall be a commercial bank or a member of the National Association of Securities Dealers, Inc., having an office in New York, New York, and a capitalization of at least \$75,000,000 and authorized by law to perform all the duties imposed upon it by this Series One Supplemental Ordinance.

The Series One Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Series One Supplemental Ordinance by giving at least 60 days' written notice to the Issuer, the Borrower, the Series One Credit Provider and the 1989 Trustee, but any such resignation shall not be effective until a successor is appointed. The Series One Remarketing Agent may be removed at any time by the Borrower. In the event of any resignation or removal of the Series One Remarketing Agent, a successor Series One Remarketing Agent shall be appointed by the Borrower. No removal of the Series One Remarketing Agent shall be effective until a successor is appointed and has accepted such appointment.

In the event of the resignation or removal of the Series One Remarketing Agent, the Series One Remarketing Agent shall pay over, assign and deliver any moneys and Series One Bonds held by it in such capacity to its successor.

Section 513. 1989 Trustee's Liability for Series One Tender Agent and Series One Remarketing Agent. Notwithstanding anything contained herein to the contrary, the 1989 Trustee shall not be liable for any failure of the Series One Tender Agent or the Series One Remarketing Agent to perform in accordance with the Series One Supplemental Ordinance any duty required or authorized herein to be performed by such person.

ARTICLE VI

THE SERIES ONE CREDIT FACILITY

Section 601. The Series One Credit Facility.

(a) **Series One Credit Facility to be Held as Security for the Series One Bonds.** The Series One Credit Facility and all moneys drawn thereunder shall be held by the 1989 Trustee in trust for the sole and exclusive benefit of the Owners of the Series One Bonds (other than a Credit Purchased Bond) as security for the payment of the pecuniary obligations which, in accordance with the terms of the Series One Credit Facility, are permitted to be satisfied from moneys drawn under the Series One Credit Facility and, notwithstanding anything expressed or implied in the Ordinance to the contrary, are not to be held for the benefit of the 1989 Credit Provider or the owners of Series A Bonds and the 1989 Credit Provider and the owners of Series A Bonds shall have no right or claim thereto.

(b) **No Surrender or Transfer of Series One Credit Facility.** The 1989 Trustee shall not sell, assign or transfer the Series One Credit Facility except to a successor trustee. In addition, the 1989 Trustee shall not terminate the Series One Credit Facility or surrender the Series One Credit Facility to the related Series One Credit

Provider except (i) upon the expiration of the Series One Credit Facility in accordance with its terms or (ii) upon the delivery to the 1989 Trustee of an Alternate Credit Facility in replacement therefor.

(c) Rights and Duties under Series One Credit Facility. The 1989 Trustee is hereby instructed, without further direction, to draw amounts under the Series One Credit Facility in accordance with the terms and conditions set forth therein at the times, in the manner and for the purposes set forth in this Series One Supplemental Ordinance. The Issuer agrees that the 1989 Trustee in its name or in the name of the Issuer may enforce all rights of the 1989 Trustee and of the Issuer and all obligations of the related Series One Credit Provider (including the obligation of such Series One Credit Provider to honor drafts duly presented in accordance with the terms and conditions of the Series One Credit Facility) under and pursuant to the Series One Credit Facility for the benefit of the Owners of the Series One Bonds. The 1989 Trustee agrees to assume and perform the duties and obligations contemplated under the Series One Credit Facility to be assumed and performed by the 1989 Trustee.

Section 602. Draws Under the Series One Credit Facility.

(a) Draws to Pay Principal, Premium and Interest on the Series One Bonds. To the full extent permitted under the terms of the Series One Credit Facility then in effect, on or before each Interest Payment Date for the Series One Bonds, the 1989 Trustee shall draw under the Series One Credit Facility securing such Series One Bonds an amount sufficient to pay in full all amounts of principal of, premium (if any, and if covered under the Series One Credit Facility) and interest on such Series One Bonds due on such Interest Payment Date, which draw shall be made at such time and on such date as shall ensure that the moneys so drawn will be received by the 1989 Trustee in time to duly pay all amounts required to be paid on such Series One Bonds on such Interest Payment Date; *provided that* in no event shall moneys be drawn under any Series One Credit Facility for the purpose of paying any amounts owing under any Credit Purchased Bonds.

(b) Draws to Pay Purchase Price. In addition, to the full extent permitted under the terms of the Series One Credit Facility then in effect, the 1989 Trustee shall draw moneys under the Series One Credit Facility securing particular Series One Bonds in accordance with the terms thereof to the extent necessary to make timely payments of the Purchase Price of such Series One Bonds required to be made pursuant to, and in accordance with, Article III hereof, as appropriate.

(c) Deposit of Moneys Received Under Series One Credit Facility. All moneys received by the 1989 Trustee under the Series One Credit Facility shall be held by the 1989 Trustee in a separate, segregated account established for such purpose and shall not be co-mingled with any other moneys held by the 1989 Trustee and may only be invested in Government Obligations which mature or are subject to redemption at the holders' option not later than the earlier of 30 days from the date of investment or the date upon which they will be needed for the purposes from which such moneys were drawn. All moneys received by the 1989 Trustee under the Series One Credit Facility shall be used solely and only for the purpose of paying, to the Owners or former Owners of the Series One Bonds entitled thereto, the amounts for which such moneys were drawn.

Section 603. Subrogation Rights of the Series One Credit Provider. If the Series One Credit Facility is drawn upon to pay principal of, premium (if any) or interest on any Series One Bonds, the related Series One Credit Provider shall be subrogated to the rights of the Owners of such Series One Bonds to receive the principal of, premium (if any) and interest on such Series One Bond (as the case may be) which has been paid from the proceeds of a draw under the Series One Credit Facility.

Section 604. Alternate Credit Facility.

(a) Surrender of Series One Credit Facility In Connection With Alternate Credit Facility. If at any time there shall be delivered to the 1989 Trustee an Alternate Credit Facility in accordance with this Section

604, then the 1989 Trustee shall accept such Alternate Credit Facility and on the effective date of such Alternate Credit Facility the 1989 Trustee shall promptly surrender the Series One Credit Facility then in effect for which such Alternate Credit Facility is given in replacement to the Series One Credit Provider which issued such Series One Credit Facility in accordance with its terms for cancellation.

(b) Requirements for Alternate Credit Facility. Subject to the limitations set forth herein and except as may be otherwise expressly provided in and subject to the terms and conditions of the Series One Credit Agreement, the Borrower may, at any time and from time to time, deliver or cause to be delivered to the 1989 Trustee an Alternate Credit Facility, which Alternate Credit Facility may, but need not be, given in complete or partial substitution for or replacement of the Series One Credit Facility or any Alternate Credit Facility then in effect with respect to all or any of the Series One Bonds.

No Alternate Credit Facility shall be deemed to meet the requirements of this Section 604, nor shall the 1989 Trustee accept any Alternate Credit Facility, unless such Alternate Credit Facility has a term of not less than one year. Except as otherwise provided in this Section 604, the 1989 Trustee shall accept any such Alternate Credit Facility.

If the effective date of any Alternate Credit Facility is a date on which the Owners of the Series One Bonds do not have the right to require the Series One Tender Agent to purchase such bonds pursuant to Article III hereof, the Borrower may not substitute, and the 1989 Trustee shall not accept, any Alternate Credit Facility in complete or partial substitution for or replacement of the Series One Credit Facility or any Alternate Credit Facility then in effect, unless the 1989 Trustee shall receive, not less than 25 days prior to the proposed effective date of the substitute Alternate Credit Facility, written evidence that, upon the substitution of such Alternate Credit Facility, the Series One Bonds will be rated in the same (or higher) rating category by the Rating Agencies as such bonds are rated immediately prior to such substitution; *provided that*, for purposes of the foregoing limitation, neither the extension of the term of or the renewal of an existing Series One Credit Facility or Alternate Credit Facility, nor the delivery to the 1989 Trustee of an Alternate Credit Facility in replacement of and issued by the issuer of an existing Series One Credit Facility or Alternate Credit Facility within 60 days prior to the stated expiration date thereof, shall be deemed to be a substitution for or replacement of the Series One Credit Facility or Alternate Credit Facility which is being extended, renewed or so replaced. The Borrower may not substitute, and the 1989 Trustee shall not accept, any Alternate Credit Facility without having received the prior written consent of the 1989 Credit Provider to the substitution.

(c) Notice of Substitution of Alternate Credit Facility. Not less than 20 days prior to the effective date of an Alternate Credit Facility to be given pursuant to this Section 604, the 1989 Trustee shall give notice by mail to the Owners of all affected Outstanding Series One Bonds, which notice shall:

- (i) describe generally the Series One Credit Facility or Alternate Credit Facility, if any, then in effect;
- (ii) describe generally the Alternate Credit Facility proposed to be given and the effective date of such Alternate Credit Facility;
- (iii) the rights of such Owners, if any, to have such Series One Bonds purchased on or before the effective date of such Alternate Credit Facility; and
- (iv) the ratings, if any, to be assigned to the Series One Bonds by the Rating Agencies upon the substitution of such Alternate Credit Facility.

ARTICLE VII

**SERIES ONE EVENTS OF DEFAULT
AND REMEDIES**

Section 701. Series One Events of Default.

(a) Series One Events of Default. The occurrence of any one or more of the following shall constitute a Series One Event of Default:

(i) default in the due and punctual payment of the principal of, premium (if any) or interest on any Series One Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise;

(ii) default by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part contained in this Series One Supplemental Ordinance and which relate to the Issuer's obligations with respect to the Series One Bonds, which default shall continue for a period of sixty (60) days after written notice thereof to the Issuer by the 1989 Trustee or to the Issuer and to the 1989 Trustee by the Owners of not less than fifty percent (50%) in principal amount of the Series One Bonds Outstanding;

(iii) default by the Borrower in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Series One Loan Agreement and which relate to the Borrower's obligations with respect to the Series One Bonds, which default shall continue for a period of 30 days after written notice specifying such failure and requesting that it be remedied, given to the Borrower by the Issuer or the 1989 Trustee or by the Owners of not less than fifty percent (50%) in principal amount of the Series One Bonds Outstanding; *provided, however, that* if said default shall be such that it cannot be corrected within such period, it shall not constitute a Series One Event of Default if, in the opinion of the 1989 Trustee, it is correctable without material adverse effect on the Series One Bonds and if corrective action is instituted by the Borrower within such period and diligently pursued until the default is corrected;

(iv) an Act of Bankruptcy of the Borrower or the Series One Credit Provider providing the Series One Credit Facility with respect to the Series One Bonds;

(v) written notice shall have been received by the 1989 Trustee from the Series One Credit Provider providing the Series One Credit Facility with respect to the Series One Bonds that an Event of Default has occurred under and as defined in the Series One Credit Agreement with respect to the Borrower's obligations relating to the Series One Bonds and directing the 1989 Trustee to effect a mandatory purchase of the Series One Bonds pursuant to Section 305(e) hereof; and

(vi) the failure or refusal of the Series One Credit Provider to honor a proper demand for payment under the Series One Credit Facility securing the Series One Bonds, or if the Series One Credit Facility securing the Series One Bonds becomes invalid or unenforceable.

(b) Limitations on Actions and Remedies Following Series One Event of Default. The occurrence and continuation of a Series One Event of Default shall not constitute a Series A Event of Default under the 1989 Supplemental Ordinance nor shall the occurrence and continuation of a Series One Event of Default permit the 1989 Trustee, the Series One Credit Provider or the Owners of the Series One Bonds to take any action that disturbs in any way the lien, or the priority of the lien, on the Series A Trust Estate granted as security for the Series A Bonds as set forth in Section 103 of the 1989 Supplemental Ordinance. Upon the occurrence and continuation of a Series One Event of Default, the sole remedy of the 1989 Trustee and the Owners of the Series One Bonds shall be to enforce their rights with respect to the Series One Trust Estate, and except to the extent that it may be an Owner of Series One Bonds, the Series One Credit Provider shall have no rights with respect to the Series One Trust Estate. The occurrence of a Series A Event of Default shall not constitute a Series One Event of Default nor give rise to the right of the 1989 Trustee, the Series One Credit Provider or the Owners of the Series One Bonds to exercise any remedy available hereunder as a result of such Event of Default.

(c) Limitations on the Commencement of Suits. NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, SO LONG AS THE 1989 CREDIT FACILITY REMAINS IN EFFECT OR ANY AMOUNTS REMAIN OUTSTANDING UNDER THE 1989 CREDIT AGREEMENT (IRRESPECTIVE OF WHETHER SUCH AMOUNTS ARE THEN DUE AND PAYABLE), EACH OWNER OF THE SERIES ONE BONDS AND THE 1989 TRUSTEE MAY NOT COMMENCE, BRING, MAINTAIN, JOIN OR IN ANY OTHER WAY PARTICIPATE (EXCEPT AS A NAMED DEFENDANT) IN ANY PROCEEDING, ACTION OR SUIT, AT LAW OR IN EQUITY, AGAINST THE BORROWER OR AGAINST ANY OF ITS PROPERTIES OR REVENUES BEFORE ANY COURT, GOVERNMENTAL DEPARTMENT, COMMISSION, BOARD, BUREAU, INSTRUMENTALITY OR AGENCY OR ARBITRATOR BY REASON OF THE OCCURRENCE OF ANY SERIES ONE EVENT OF DEFAULT INCLUDING, WITHOUT LIMITATION, BY REASON OF THE BORROWER'S FAILURE TO MAKE SERIES ONE LOAN REPAYMENTS UNDER THE SERIES ONE LOAN AGREEMENT. THE BORROWER WAIVES AND/OR EXTENDS ALL STATUTES OF LIMITATIONS APPLICABLE TO ANY SUCH CLAIMS THROUGHOUT THE ENTIRE PERIOD DURING WHICH THE IMMEDIATELY PRECEDING SENTENCE SHALL BE IN EFFECT. The restrictions on actions against the Borrower described above in this Section 701(c) shall in no way preclude the 1989 Trustee from exercising its rights and remedies against the Series One Credit Provider to honor a conforming draw under the Series One Credit Facility.

(d) Acceleration. So long as a Series One Event of Default shall be continuing, unless the principal of all the Series One Bonds shall have already become due and payable, the 1989 Trustee (by notice in writing to the Issuer) may, and upon the written request of the Owners of not less than fifty percent (50%) in principal amount of the Series One Bonds Outstanding (by notice in writing to the Issuer, the Borrower, the Series One Credit Provider and the 1989 Trustee), shall declare the principal of all the Series One Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in this Series One Supplemental Ordinance or in any of the Series One Bonds contained to the contrary notwithstanding; *provided, however, that* only the Series One Credit Provider shall direct the 1989 Trustee to declare a default upon the occurrence of a Series One Event of Default described in Section 701(a)(v). The right of the 1989 Trustee or of the Owners of not less than fifty percent (50%) in principal amount of Series One Bonds then Outstanding to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Series One Bonds shall have matured by their terms, all overdue installments of interest upon the Series One Bonds, together with interest on such overdue installments of interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the 1989 Trustee, and all other sums then payable by the Issuer or the Borrower under this Series One Supplemental Ordinance (except the principal of, and interest accrued since the next preceding Interest Payment Date on, the Series One Bonds due and payable solely by virtue of such declaration) shall be paid for the account of the Issuer or provision satisfactory to the 1989 Trustee shall be made for such payment, and all defaults under the Series One Bonds or under this Series One Supplemental Ordinance (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be cured or be secured to the satisfaction of the 1989 Trustee

or provision deemed by the 1989 Trustee to be adequate shall be made therefor, then and in every such case the 1989 Trustee, by written notice to the Issuer, the Borrower, the Series One Credit Provider and the Owners of the Series One Bonds, or the Owners of fifty percent (50%) in principal amount of the Series One Bonds Outstanding, by written notice to the Issuer, the Borrower, the Series One Credit Provider and to the 1989 Trustee, may rescind such declaration and annul such default in its entirety, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

(e) **Transfer of Moneys to the Series One Subaccount of the 1989 Debt Service Account Upon Occurrence of Series One Event of Default.** Provided that the 1989 Credit Facility is no longer in effect and no amounts remain outstanding thereunder (irrespective of whether such amounts are then due and payable), immediately upon the occurrence of a Series One Event of Default, all moneys and investments on deposit in the Series One Subaccount of the 1989 Construction Account held by the 1989 Trustee hereunder shall be transferred to the Series One Subaccount of the 1989 Debt Service Account for application as provided in Section 703 hereof; *provided that* if, following such transfer, the Series One Event of Default shall have been duly waived or cured in accordance with the terms hereof and all existing Series One Credit Facilities have been reinstated or replaced with Alternate Credit Facilities, the remaining moneys and investments then on deposit in the Series One Subaccount of the 1989 Debt Service Account shall be transferred, *pro rata* (based on the amounts transferred from the various Series One Subaccounts to the Series One Subaccounts of the 1989 Debt Service Account), back to the various Series One Subaccounts from which they were derived. In the event the 1989 Credit Facility is in effect or amounts remain outstanding thereunder (irrespective of whether such amounts are then due and payable), the foregoing provisions of this Section 701(e) shall be of no effect, and immediately upon the occurrence of a Series One Event of Default, all monies and investments on deposit in the Series One Subaccount of the 1989 Construction Account with the 1989 Trustee hereunder shall be transferred to that part of the 1989 Construction Account not contained within the Series One Subaccount of the 1989 Construction Account and treated in the manner specified in the 1989 Supplemental Ordinance.

Section 702. Accounting and Examination of Records After Default and Assignment of Contracts. The Issuer covenants that if an Series One Event of Default shall have happened and shall not have been remedied, the books of record and accounts of the Issuer and all other records relating to the Series One Bonds shall at all times be subject to the inspection and use of the 1989 Trustee and the Series One Credit Provider and of their respective agents and attorneys.

Section 703. Application of Revenues and Other Moneys After Default. During the continuance of a Series One Event of Default, the 1989 Trustee shall apply the Series One Trust Estate, including all moneys derived from the liquidation thereof received by the 1989 Trustee pursuant to any right given or action taken under the provisions of this Article, as follows and in the following order:

(i) **Rebate Payments** - to the payment of any amounts required to be rebated to the United States of America in accordance with the covenants in Section 406 hereof;

(ii) **Expenses of the 1989 Trustee** - to the payment of the reasonable and proper charges, expenses and liabilities of the 1989 Trustee incurred in connection with the Series One Bonds;

(iii) **Payment of Series One Bonds** - subject to the provisions of the Amended and Restated Intercreditor Agreement, to the payment of the interest on and principal of the Series One Bonds then due as follows:

(A) unless the principal of all of the Series One Bonds shall have become or have been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due on the Series One Bonds, together with accrued and unpaid interest on the Series One Bonds theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

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

(B) if the principal of all of the Series One Bonds shall have become or have been declared due and payable, first to the payment of the principal and interest then due and unpaid upon the Series One Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Series One Bond over any other Series One Bond, ratably, according to the amounts due respectively or principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Series One Bonds;

Provided that, notwithstanding anything expressed or implied herein to the contrary, all moneys drawn by or paid to the 1989 Trustee under the Series One Credit Facility following a Series One Event of Default shall only be used for the purpose of paying the principal of and interest on the Series One Bonds secured thereby.

Section 704. [RESERVED]

Section 705. Proceedings Brought by 1989 Trustee. Subject to the terms and provisions of Section 701(c) hereof and the Amended and Restated Intercreditor Agreement, if a Series One Event of Default shall happen and shall not have been remedied, then and in every such case, the 1989 Trustee, by its agents and attorneys, may proceed, and upon written request of the Owners of not less than twenty-five percent (25%) in principal amount of the Series One Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Owners of the Series One Bonds, under this Series One Supplemental Ordinance forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted or any remedy granted under the Act or at law, or in the enforcement of and other legal or equitable right as the 1989 Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under this Series One Supplemental Ordinance; *provided that* no action taken by the 1989 Trustee as a result of a Series One Event of Default shall in any way disturb the lien, or the priority of the lien, on the Series A Trust Estate granted as security for the Series A Bonds hereunder or the application of the proceeds of the Series A Trust Estate as provided in 1989 Supplemental Ordinance.

All rights of action under this Series One Supplemental Ordinance may be enforced by the 1989 Trustee without the possession of any of the Series One Bonds or the production thereof on the trial or other proceedings, and any such suit or proceedings instituted by the 1989 Trustee shall be brought in its name.

Subject to the terms and provisions of Section 701(c) hereof and the Amended and Restated Intercreditor Agreement, the Owners of not less than a majority in principal amount of the Series One Bonds at the time

Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the 1989 Trustee as a result of a Series One Event of Default, or of exercising any trust or power conferred upon the 1989 Trustee following a Series One Event of Default, *provided that* the 1989 Trustee shall have the right to decline to follow any such direction if the 1989 Trustee shall not be provided adequate security and indemnity or shall be advised by counsel that the action or proceeding so directed may not lawfully be taken or shall be inconsistent with the provisions of this Series One Supplemental Ordinance, or if the 1989 Trustee in good faith shall determine that the action or proceeding so directed would involve the 1989 Trustee in personal liability or be unjustly prejudicial to the Owners of the Series One Bonds not parties to such direction.

Subject to the terms and provisions of Section 701(c) hereof and the Amended and Restated Intercreditor Agreement, regardless of the happening of a Series One Event of Default, the 1989 Trustee shall have power to, but unless requested in writing by the Owners of a majority in principal amount of the related Series One Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation, to institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under this Series One Supplemental Ordinance by any acts which may be unlawful or in violation of this Series One Supplemental Ordinance, and such suits and proceedings as the 1989 Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of Owners of the related Series One Bonds.

Section 706. Restriction on Owner's Action. No Owner of any Series One Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of this Series One Supplemental Ordinance or the execution of any trust under this Series One Supplemental Ordinance or for any remedy under this Series One Supplemental Ordinance, unless (but in any event subject to the terms and provisions of Section 701(c) hereof) such Owner shall have previously given to the 1989 Trustee written notice of the happening of a Series One Event of Default, as provided in this Article, and the Owners of at least 25% in principal amount of the Series One Bonds then Outstanding shall have filed a written request with the 1989 Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in this Series One Supplemental Ordinance or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the 1989 Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the 1989 Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Series One Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by this Series One Supplemental Ordinance, or to enforce any right under this Series One Supplemental Ordinance, except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of this Series One Supplemental Ordinance shall be instituted, had and maintained in the manner provided in this Series One Supplemental Ordinance and for the equal benefit of the Owners of the Outstanding Series One Bonds, subject only to the provisions of Sections 701(c) and 702.

Except for Section 701(c) hereof, nothing in this Series One Supplemental Ordinance or in the Series One Bonds shall affect or impair the obligation of the Issuer, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of (and premium, if any) and interest on the Series One Bonds to the respective Owners thereof (but solely out of the Series One Trust Estate), or affect or impair the right of action, which is also absolute and unconditional, of any Owner to enforce such payment of her Series One Bond.

Section 707. Not Exclusive. No remedy by the terms of this Series One Supplemental Ordinance conferred upon or reserved to the 1989 Trustee or the Owners is intended to be exclusive of any other remedy, but each and every such remedy shall, subject to Section 701(c) hereof, be cumulative and shall be in addition to every other remedy given under this Series One Supplemental Ordinance or existing at law, including under the Act, or in equity or by statute on or after the effective date of this Series One Supplemental Ordinance.

Section 708. Effect of Waiver and Other Circumstances. No delay or omission of the 1989 Trustee or any Owner to exercise any right or power arising upon the happening of a Series One Event of Default

shall impair any right or power or shall be construed to be a waiver of any such Series One Event of Default or be an acquiescence therein; and every power and remedy given by this Article to the 1989 Trustee or to the Owners may be exercised from time to time and as often as may be deemed expedient by the 1989 Trustee or by the Owners.

Prior to the acceleration of maturity of the Series One Bonds as provided in Section 701, the Owners of not less than a majority in principal amount of the Series One Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all Series One Bonds waive any past default with respect to the Series One Bonds under this Series One Supplemental Ordinance and its consequences, except a default in the payment of interest on or principal of or premium (if any) on any of the Series One Bonds. No such waiver shall extend to any subsequent or other default with respect to the Series One Bonds or impair any right consequent thereon.

Section 709. Termination of Proceedings. In case any proceeding taken by the Series One Trustee on account of any Series One Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the 1989 Trustee or the Owners, the Issuer, the 1989 Trustee, the Borrower, the related Series One Credit Provider and the Owners shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the 1989 Trustee, the related Series One Credit Provider and the Owners shall continue as if no such proceeding had been taken.

Section 710. Notice of Default. The 1989 Trustee shall notify the Series One Credit Provider of the happening of a Series One Event of Default and the Series One Bond Registrar shall promptly mail written notice of the occurrence of any Series One Event of Default to each Owner of Series One Bonds then Outstanding at his address, if any, appearing upon the registry books of the Issuer.

Section 711. Series One Credit Provider's Rights Upon Series One Events of Default. Notwithstanding that the Series One Credit Provider in its capacity thereof (and not in its capacity as an Owner of the Series One Bonds) has no right in the Series One Trust Estate and notwithstanding anything in this Series One Supplemental Ordinance to the contrary, if any Series One Event of Default hereof has occurred and is continuing, the issuer of the Series One Credit Facility securing the Series One Bonds shall have the right, in lieu of the Owners of the affected bonds secured by said Series One Credit Facility, by an instrument in writing, executed and delivered to the 1989 Trustee, to direct the time, method and place of conducting all remedial proceedings available to the 1989 Trustee under this Series One Supplemental Ordinance, or exercising any trust or power conferred on the 1989 Trustee by this Series One Supplemental Ordinance, *provided that* the 1989 Trustee shall have the right to decline to follow any such direction if the 1989 Trustee shall not be provided adequate security and indemnity or shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the 1989 Trustee in good faith shall determine that the action or proceeding so directed would involve the 1989 Trustee in personal liability. Said direction shall be controlling to the extent the direction of the Owners of Series One Bonds secured by said Series One Credit Facility would have been controlling under this Article. Notwithstanding the foregoing, no Series One Credit Provider shall be entitled to exercise any rights under this Section 711 during any period when:

(i) the Series One Credit Facility issued by such Series One Credit Provider shall not be in full force and effect (other than by reason of the Series One Credit Facility having expired due to all available amounts having been drawn and paid thereunder) or such Series One Credit Provider shall have failed or refused for any reason to honor a proper demand for payment under such Credit Facility issued thereby;

(ii) such Series One Credit Provider shall have filed a petition or otherwise sought relief under any federal or state bankruptcy or similar law; or

(iii) an order or decree shall have been entered, with the consent or acquiescence of such Series One Credit Provider, appointing a receiver or receivers of the assets of such Series One Credit Provider, or if

such order or decree having been entered without the consent or acquiescence of such Series One Credit Provider, shall not have been vacated or discharged or stayed within ninety (90) days after the entry thereof.

ARTICLE VIII

AMENDMENTS TO SERIES ONE SUPPLEMENTAL ORDINANCE AND SERIES ONE LOAN AGREEMENT

Section 801. Amendments Effective Without Consent of Owners. For any one or more of the following purposes and at any time or from time to time and subject to the conditions set forth in Sections 908 and 909 of this Series One Supplemental Ordinance, the Issuer may enact an ordinance amending, modifying or supplementing this Series One Supplemental Ordinance without the consent of Owners:

(1) To add to the covenants and agreements of the Issuer in this Series One Supplemental Ordinance, other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with this Series One Supplemental Ordinance as theretofore in effect;

(2) To add to the limitations and restrictions in this Series One Supplemental Ordinance, other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with this Series One Supplemental Ordinance as theretofore in effect;

(3) With the prior written Opinion of Bond Counsel that to do so will not adversely affect the status of Series One Bonds issued as Tax-Exempt Obligations (as defined in the Master Ordinance), to authorize, in compliance with all applicable law, Series One Bonds to be issued in the form of coupon bonds registrable as to principal only and, in connection therewith, specify and determine the matters and things relative to the issuance of such coupon bonds, including provisions relating to the timing and manner of provision of any notice required to be given hereunder to the holders of such coupon bonds, which are not contrary to or inconsistent with this Series One Supplemental Ordinance as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such coupon bonds;

(4) To modify, amend or supplement this Series One Supplemental Ordinance in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Series One Bonds for sale under the securities laws of any of the states of the United States of America;

(5) To add additional security as part of the Series One Trust Estate subject to the pledge and lien of this Series One Supplemental Ordinance;

(6) To provide any Tax Covenants not provided by this Series One Supplemental Ordinance or to modify in any respect any Tax Covenant so as to conform to the then applicable requirements of the Code or to delete or restrict the applicability of any Tax Covenant which, under the Code as then in effect, is no longer applicable to all or any Series One Bonds issued or to be issued hereunder;

(7) To surrender any right, power or privilege reserved to or conferred upon the Issuer by the terms of this Series One Supplemental Ordinance, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Issuer contained in this Series One Supplemental Ordinance;

(8) To confirm, as further assurance, any security interest or pledge created under this Series One Supplemental Ordinance;

(9) To cure any ambiguity, supply any omission, or cure or correct any defect, mistake or error or inconsistent provision in this Series One Supplemental Ordinance;

(10) To insert such provisions clarifying matters or questions arising under this Series One Supplemental Ordinance as are necessary or desirable and are not contrary to or inconsistent with this Series One Supplemental Ordinance as thereto for in effect; or

(11) To modify any of the provisions of this Series One Supplemental Ordinance in any other respect whatever, *provided that*:

(i) no Series One Bonds shall be Outstanding at the date of the adoption of such supplemental ordinance; or

(ii) (a) such modification shall be, and be expressed to be, effective only after all Series One Bonds Outstanding at the date of the adoption of such Supplemental Ordinance shall cease to be Outstanding, and (b) such modifying ordinance shall be specifically referred to in the text of all Series One Bonds authenticated and delivered after the date of the adoption of such ordinance and of Series One Bonds issued in exchange therefor or in place thereof; or

(12) To make any change required by the Rating Agencies as a precondition to the issuance of a rating on any Series One Bonds which is not to the prejudice of the Owners of any other the Series One Bonds; or

(13) So long as a Series One Credit Facility is in full force and effect with respect to any Series One Bonds affected by such supplemental ordinance, to make any other change which is consented to in writing by the Series One Credit Provider other than any change which:

(A) would result in a downgrading or withdrawal of the rating then assigned to the affected Series One Bonds by the Rating Agencies; or

(B) changes the Stated Maturity (except as expressly permitted herein), the Interest Payment Dates, interest rates, redemption and purchase provisions, and provisions regarding notices of redemption, purchase and tender applicable to the affected Series One Bonds.

Section 802. Supplemental Ordinances Effective With Consent of Owners. At any time or from time to time, the Issuer may enact an ordinance amending, modifying or supplementing this Series One Supplemental Ordinance subject to consent by Owners in accordance with and subject to the provisions of Article IX, which ordinance, upon compliance with the provisions of said Article IX, shall become fully effective in accordance with its terms as provided in said Article IX.

Section 803. General Provisions. Any ordinance amending, modifying or supplementing this Series One Supplemental Ordinance referred to and permitted or authorized by Section 801 may be enacted by the Issuer

without the consent of any of the Owners, but shall become effective only on the conditions, to the extent and at the time provided in said Section. The copy of every ordinance amending, modifying or supplementing this Series One Supplemental Ordinance shall be placed on file with the 1989 Trustee and the Series One Credit Provider and shall be accompanied by an Opinion of Bond Counsel stating that such ordinance:

(i) has been duly and lawfully enacted by the Issuer in accordance with the provisions of this Series One Supplemental Ordinance, is authorized or permitted by this Series One Supplemental Ordinance, and is valid and binding upon the Issuer and enforceable in accordance with its terms; and

(ii) will not adversely affect the maintenance of any existing exclusion of interest payable on the Series One Bonds issued as Tax-Exempt Obligations (as defined in the Master Ordinance) from gross income for federal income tax purposes.

The 1989 Trustee is hereby authorized to accept the delivery of a certified copy of any ordinance amending, modifying or supplementing this Series One Supplemental Ordinance referred to and permitted or authorized by Sections 801 or 802 and to make all further agreements and stipulations which may be therein contained, and the 1989 Trustee, in taking such action, shall be fully protected in relying on an Opinion of Bond Counsel that such ordinance is authorized or permitted by the provisions of this Series One Supplemental Ordinance.

No ordinance amending, modifying or supplementing this Series One Supplemental Ordinance shall change or modify any of the rights or obligations of the 1989 Trustee, any Series One Credit Provider, the Series One Remarketing Agent or the Series One Tender Agent without the prior written consent of such parties.

Section 804. Amendments of Series One Loan Agreement. With the prior written consent of the Series One Credit Provider, in the event it has a material adverse affect on the rights or duties of the Series One Credit Provider, but without the consent of the 1989 Trustee or any Owners, upon delivery to the 1989 Trustee and the Series One Credit Provider of an Opinion of Bond Counsel, the Issuer and the Borrower may enter into an agreement modifying, amending or supplementing in any respect the terms and provisions of the Series One Loan Agreement; *provided that* without the prior written consent of the Owners of 100% in aggregate principal amount of the Series One Bonds affected thereby, no such agreement may be entered into by the Issuer and the Borrower which diminishes the amount of the Series One Loan Repayments or the obligation of the Borrower to make such Series One Loan Repayments.

ARTICLE IX

NOTICES AND CONSENTS

Section 901. Mailing of Notice.

(a) **Notice to Owners.** Any provision in this Series One Supplemental Ordinance for the mailing of a notice or other materials to Owners shall be fully complied with if it is mailed postage prepaid only (i) to each registered owner of Series One Bonds then Outstanding at his address appearing upon the registry books of the Issuer and (ii) to the 1989 Trustee and the Series One Credit Provider.

(b) **Notice to Other Parties.** Any provision in this Series One Supplemental Ordinance for the mailing of a notice or other materials to the Issuer, the 1989 Trustee, the 1989 Credit Provider, the Borrower, the Series One

Tender Agent, the Series One Remarketing Agent or the Series One Credit Provider shall be fully complied with if it is mailed postage prepaid to the following addresses or to such other address as the Issuer, the 1989 Trustee, the Borrower, the Series One Tender Agent, the Series One Remarketing Agent or the Series One Credit Provider shall hereafter specify in writing to each of the other parties:

- To the Issuer:** Metropolitan Service District
2000 SW First
Portland, Oregon 97201
Attention: Director of Finance and Administration
- To the 1989 Trustee:** First Interstate Bank of Oregon, N.A.
Corporate Financial Services T-10
1300 S.W. Fifth Avenue
Portland, Oregon 97201
- To the 1989 Credit Provider:** Credit Suisse
100 Wall Street, 14th Floor
New York, New York 10005
Attention: Public Finance Department
- To the Series One Credit Provider:** United States National Bank of Oregon
International Banking Division
309 S.W. Sixth Avenue
Portland, Oregon 97204
Attention: Tom Zwald
- To the Series One Remarketing Agent:** Donaldson, Lufkin & Jenrette Securities Corporation
140 Broadway
New York, New York 10005
Attention: Mr. Kevin Cassedy
- To the Series One Tender Agent:**
- | During Any Weekly
Rate Period: | During Any
Other Rate Period: |
|---|--|
| First Interstate Bank of
Oregon, N.A.
Corporate Financial
Services
1300 S.W. Fifth Avenue
Portland, Oregon 97201 | Such address as the
Series One Tender
Agent for such
Rate Period shall specify. |
- To the Borrower:** Riedel Oregon Compost Company, Inc.
4611 N. Channel Avenue
P.O. Box 5007
Portland, Oregon 97208 (street address) 97208-5007 (P.O. Box)
Attention: Chief Financial Officer

To Moody's:

99 Church Street
New York, New York 10007
Attention: Public Finance Department, Structured Finance Group

Section 902. Powers of Amendment. Subject to the conditions set forth in Sections 908 and 909 of this Series One Supplemental Ordinance, any modification or amendment of this Series One Supplemental Ordinance and of the rights and obligations of the Issuer and of the Owners of the Series One Bonds, in any particular other than for the purposes set forth in Section 801 may be made by an ordinance duly enacted by the Issuer with the written consent given as provided in Section 903 of the Owners of at least a majority in principal amount of the affected Series One Bonds Outstanding at the time such consent is given and the Series One Credit Provider; *provided, however, that* if such modification or amendment will, by its terms, not take effect so long as any Series One Bonds of like maturity remain Outstanding the consent of the Owners of such Series One Bonds, and the Series One Credit Provider, shall not be required and such Series One Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Series One Bonds under this Section 902.

No such modification or amendment shall permit a change in the terms of any terms of redemption, purchase or maturity of any Outstanding Series One Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Series One Bond, or shall reduce the percentages or otherwise affect the classes of Series One Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

For the purposes of this Section 902, Series One Bonds of a particular maturity shall be deemed to be affected by a modification or amendment of this Series One Supplemental Ordinance if the same adversely affects or diminishes the rights of the Owners of Series One Bonds of such maturity. The 1989 Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment Series One Bonds of any particular maturity would be affected by any modification or amendment of this Series One Supplemental Ordinance, and may rely upon the advice of Bond Counsel, and any such determination shall be binding and conclusive on the Issuer and all Owners of Series One Bonds.

Section 903. Consent of Owners. The Issuer may at any time enter into an ordinance amending, modifying or supplementing this Series One Supplemental Ordinance as permitted by the provisions of Section 902 to take effect when and as provided in this Section 903. A copy of such ordinance amending, modifying or supplementing this Series One Supplemental Ordinance (or brief summary thereof or reference thereto in form approved by the 1989 Trustee), together with a request to the affected Owners and each affected Series One Credit Provider, for their consent thereto in form satisfactory to the 1989 Trustee, shall be mailed by the 1989 Trustee to such Owners and the Series One Credit Provider. Such ordinance amending, modifying or supplementing this Series One Supplemental Ordinance shall not be effective unless and until:

(i) there shall have been filed with the 1989 Trustee:

(a) the written consents of Owners of the percentages of affected Outstanding Series One Bonds specified in Section 902 and the Series One Credit Provider; and

(b) an Opinion of Bond Counsel stating that such ordinance amending, modifying or supplementing this Series One Supplemental Ordinance has been duly and lawfully enacted by the Issuer in accordance with the provisions of this Series One Supplemental Ordinance, is authorized or permitted by this Series One Supplemental Ordinance, and is valid and binding upon the Issuer and enforceable in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting creditors' rights generally; and

(ii) a notice shall have been given as hereinafter in this Section 903 provided.

Each such consent shall be effective only if accompanied by proof of the ownership, at the date of such consent, of the Series One Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1002. A certificate or certificates executed by the 1989 Trustee and filed with the Issuer stating that it has examined such proof and that such proof is sufficient shall be conclusive that the consents have been given by the Owners of the affected Series One Bonds and the Series One Credit Provider described in such certificate or certificates of the 1989 Trustee. Any such consent shall be binding upon the Owner of the Series One Bonds and the Series One Credit Provider and, anything in Section 1002 to the contrary notwithstanding, upon any subsequent Owner of such Series One Bonds and of any Series One Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof) unless such consent is revoked in writing by the Owner of such Series One Bonds or the Series One Credit Provider or a subsequent Owner thereof by filing such revocation with the 1989 Trustee, prior to the time when the written statement of the 1989 Trustee hereinafter in this Section 903 provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the 1989 Trustee filed with the Issuer to the effect that no revocation thereof is on file with the 1989 Trustee. At any time after the Owners of the required percentages of Series One Bonds and the Series One Credit Provider shall have filed their consents to the Series One Supplemental Ordinance or resolution, the 1989 Trustee shall make and file with the Issuer a written statement that the Owners of such required percentages of Series One Bonds and the Series One Credit Provider have filed such consents. Such written statements shall be conclusive that such consents have been so filed.

At any time thereafter, notice stating in substance that the ordinance amending, modifying or supplementing this Series One Supplemental Ordinance (a copy of which is on file with the 1989 Trustee) has been consented to by the Owners of the required percentages of Series One Bonds and the Series One Credit Provider, and will be effective as provided in this Section 903, shall be given to Owners and the Series One Credit Provider by the 1989 Trustee by mailing such notice to Owners and the Series One Credit Provider not more than ninety (90) days after the Owners of the required percentages of Series One Bonds and the Series One Credit Provider shall have filed their consents to the Series One Supplemental Ordinance and the written statement of the 1989 Trustee hereinabove provided for is filed. A record, consisting of the certificates or statements required or permitted by this Section 903 to be made by the 1989 Trustee shall be proof of the matters therein stated. Such ordinance making such amendment or modification shall be deemed conclusively binding upon the Issuer, the Fiduciaries, the Owners of all Series One Bonds and the Series One Credit Provider upon the filing by the 1989 Trustee of the notice referred to in the preceding paragraph.

Section 904. Modifications by Unanimous Consent. Subject to the conditions set forth in Sections 908 and 909 of this Series One Supplemental Ordinance, the terms and provisions of this Series One Supplemental Ordinance and the rights and obligations of the Issuer and of the Owners of the Series One Bonds may be modified or amended in any respect upon the enactment by the Issuer of an ordinance and the consent of the Series One Credit Provider, and the Owners of all affected Series One Bonds then Outstanding, such consent to be given as provided in Section 903 except that no notice to Owners by mailing shall be required; *provided, however, that* no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the 1989 Trustee of the written assent thereto of such Fiduciary in addition to the consent of the affected Owners and the Series One Credit Provider.

Section 905. Exclusion of Series One Bonds. Series One Bonds owned or held by or for the account of the Issuer or the Borrower shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Series One Bonds provided for in this Article IX, and the Issuer or the Borrower shall not be entitled with respect to such Series One Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the Issuer and the Borrower shall furnish

the 1989 Trustee a certificate of an Authorized Issuer Representative upon which the 1989 Trustee may rely, describing all Series One Bonds so to be excluded.

Section 906. Notation on Series One Bonds. Affected Series One Bonds authenticated and delivered after the effective date of any action taken as in Article VIII or this Article IX provided may, and, if the 1989 Trustee so determines, shall bear a notation by endorsement or otherwise in form approved by the Issuer and the 1989 Trustee as to such action, and in that case upon demand of the Owner of any Series One Bond Outstanding at such effective date and presentation of this Series One Bond for the purpose at the Corporate Trust Office of the 1989 Trustee or upon any transfer or exchange of any Series One Bond Outstanding at such effective date, suitable notation shall be made on such Series One Bond or upon any Series One Bond issued upon any such transfer or exchange by the 1989 Trustee as to any such action.

Section 907. Consent of Series One Credit Provider Required in Certain Cases. Notwithstanding anything expressed or implied herein to the contrary, during any period when:

(a) the Series One Credit Facility issued by such Series One Credit Provider is in full force and effect and such Series One Credit Provider shall not have failed or refused for any reason to honor a proper demand for payment under such Series One Credit Facility;

(b) such Series One Credit Provider shall not have filed a petition or other wise sought relief under any federal or state bankruptcy or similar law; or

(c) no order or decree shall have been entered, with the consent or acquiescence of such Series One Credit Provider, appointing a receiver or receivers of the assets of such Series One Credit Provider, or if such order or decree having been entered without the consent or acquiescence of such Series One Credit Provider, shall have been vacated or discharged or stayed within 90 days after the entry thereof,

no amendment to this Series One Supplemental Ordinance which has a material adverse affect on the rights or duties of the Series One Credit Provider shall be effective without the prior written Series One Credit Provider.

Section 908. Consent of Borrower Required in Certain Cases. Notwithstanding anything expressed or implied herein to the contrary, no amendment to this Series One Supplemental Ordinance which has a material adverse affect on the rights or duties of the Borrower shall be effective without the prior written consent of the Borrower.

Section 909. Consent of 1989 Credit Provider Required in Certain Cases. Notwithstanding anything expressed or implied herein to the contrary, during any period when:

(a) the 1989 Credit Facility issued by such 1989 Credit Provider is in full force and effect and such 1989 Credit Provider shall not have failed or refused for any reason to honor a proper demand for payment under such 1989 Credit Facility;

(b) such 1989 Credit Provider shall not have filed a petition or other wise sought relief under any federal or state bankruptcy or similar law; or

(c) no order or decree shall have been entered, with the consent or acquiescence of such 1989 Credit Provider, appointing a receiver or receivers of the assets of such 1989 Credit Provider, or if such order or decree having been entered without the consent or acquiescence of such 1989 Credit Provider, shall have been vacated or discharged or stayed within 90 days after the entry thereof,

no amendment to this Series One Supplemental Ordinance which has a material adverse affect on the rights of the 1989 Credit Provider shall be effective without the prior written consent of the 1989 Credit Provider.

ARTICLE X

MISCELLANEOUS

Section 1001. Defeasance.

(a) **Complete Defeasance of Series One Supplemental Ordinance.** If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Series One Bonds the principal of, premium (if any) and interest due or to become due thereon at the times and in the manner stipulated therein and in this Series One Supplemental Ordinance, then the lien of this Series One Supplemental Ordinance and all covenants, agreements and other obligations of the Issuer to the Owners of the Series One Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the 1989 Trustee shall cause an accounting for such period or periods as shall be requested by the Issuer to be prepared and filed with the Issuer and, upon the request of the Issuer shall execute and deliver to the Issuer all such instruments as may be desirable to evidence such discharge and satisfaction, and the 1989 Trustee shall pay over or deliver, as directed by the Borrower, all moneys or securities held by them pursuant to this Series One Supplemental Ordinance which are not required for the payment of principal of, premium (if any) and interest on Series One Bonds not theretofore surrendered for such payment or redemption.

(b) **Partial Defeasance of Series One Supplemental Ordinance.** If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, all amounts owing to the Owners of all Outstanding Series One Bonds or of particular Series One Bonds, such Series One Bonds shall cease to be entitled to any lien, benefit or security under this Series One Supplemental Ordinance, and all covenants, agreements and obligations of the Issuer to the Owners of such Series One Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(c) **When Series One Bonds Deemed Paid.** Series One Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the 1989 Trustee (through deposit pursuant to this Series One Supplemental Ordinance of funds for such payment or redemption or otherwise, as verified by a report of nationally recognized independent certified public accountants) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this Section 1001. Any Series One Bonds of any particular Series or maturity shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in this Section 1001 if:

(i) the Issuer shall have given the 1989 Trustee in form satisfactory to it irrevocable instructions to mail, postage prepaid, to each Owner of Series One Bonds then Outstanding at his address, if any, appearing upon the registry books of the Issuer, a notice to the Owners of such Series One Bonds that the deposit required by (b) above has been made with the 1989 Trustee and that said Series One Bonds are deemed to have been paid in accordance with this Section 1001 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of, premium (if any) and interest on said Series One Bonds;

(ii) there shall have been deposited with the 1989 Trustee either moneys in an amount which shall be sufficient, or Government Obligations (including any Government Obligations issued or held in

book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the 1989 Trustee at the same time, shall be sufficient, to pay when due the principal of, premium (if any) and interest due and to become due on said Series One Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and the 1989 Trustee receives an opinion of counsel knowledgeable in matters arising under the Federal Bankruptcy Code to the effect that payments on said Series One Bonds made out of such moneys or Government Obligations will not be subject to treatment as voidable preference payments in the event of an occurrence of an Act of Bankruptcy of the Borrower or the Issuer; and

(iii) in case any of said Series One Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the 1989 Trustee irrevocable instructions accepted in writing by the 1989 Trustee to mail as provided herein notice of redemption of such Series One Bonds.

Neither Government Obligations nor moneys deposited with the 1989 Trustee pursuant to this Section 1001 or principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium (if any) and interest on said Series One Bonds; *provided that* any cash received from such principal or interest payments on such Government Obligations deposited with the 1989 Trustee:

(A) to the extent such cash will not be required at any time for such purpose as determined by the 1989 Trustee, shall be paid over upon the direction of the Borrower as received by the 1989 Trustee, free and clear of any trust, lien, pledge or assignment securing said Series One Bonds or otherwise existing under this Series One Supplemental Ordinance; and

(B) to the extent such cash will be required for such purpose at a later date, shall, only be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal of, premium (if any) and interest to become due on said Series One Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments, to the extent such interest earnings will not be required at any time for such purpose as determined by the 1989 Trustee, shall be paid over as received by the 1989 Trustee to the Borrower, free and clear of any lien, pledge, or security interest securing said Series One Bonds or otherwise existing under this Series One Supplemental Ordinance.

For the purposes of this Section 1001, the term "Government Obligations" shall mean and include only direct and general obligations of the United States of America which shall not be subject to redemption prior to their maturity other than at the option of the owner thereof.

As to the Variable Rate Series One Bonds discharged and satisfied under the foregoing provisions, the amount required for the interest thereon shall be calculated at the Maximum Rate permitted by the terms of the provisions which authorized the issuance of such Variable Rate Series One Bonds; *provided, however, that* if on any date, as a result of such Variable Rate Series One Bonds having borne interest at less than such Maximum Rate for any period, the total amount of moneys and Government Obligations on deposit for the payment of interest on such Variable Rate Series One Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Series One Bonds in order to fully discharge and satisfy such Series One Bonds, the Borrower may use the amount of such excess free and clear of any trust, lien, security interest, pledge or assignment securing said Variable Rate Series One Bonds or otherwise existing under this Series One Supplemental Ordinance.

(d) Unclaimed Moneys Deposited for Defeasance Purposes. Anything in this Series One Supplemental Ordinance to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment

and discharge of any of the Series One Bonds which remain unclaimed for four years after the date when such Series One Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the 1989 Trustee at such date, or for four years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Series One Bonds became due and payable, shall, at the written request of the Borrower, be repaid by the 1989 Trustee to the Borrower, as its absolute property and free from trust, and the 1989 Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Borrower for the payment of such Series One Bonds; *provided, however, that* before being required to make any such payment to the Borrower, the 1989 Trustee shall, at the expense of the Borrower, cause to be mailed, postage prepaid, to each Owner of any unpaid Series One Bonds at his address, if any, appearing upon the registry books of the Issuer, a notice that said moneys remain unclaimed and that after a date named in said notice, which date shall be not less than 30 days after the date of the mailing of such notice, the balance of such moneys then unclaimed will be returned to the Borrower.

(e) No Interest of 1989 Credit Provider. All moneys that have been set aside and held in trust by the 1989 Trustee pursuant to Section 1001(c) shall be for the benefit of the Owners of the Series One Bonds deemed paid pursuant to that provision, and the 1989 Credit Provider and the owners of the Series A Bonds shall have no interest therein.

Section 1002. Evidence of Signatures of Owners and Ownership of Series One Bonds. Any request, consent, revocation of consent or other instrument which this Series One Supplemental Ordinance may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing.

The ownership of Series One Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

Any request or consent by the Owner of any Series One Bond shall bind all future Owners of such Series One Bond in respect of anything done or suffered to be done by the Issuer or any Fiduciary in accordance therewith.

Section 1003. Moneys Held for Particular Series One Bonds. The amounts held by the 1989 Trustee for the payment of the interest, principal or premium due on any date with respect to particular Series One Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Series One Bonds entitled thereto.

Section 1004. Preservation and Inspection of Documents. All documents received by the 1989 Trustee under the provisions of this Series One Supplemental Ordinance shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Series One Credit Provider, the Borrower and any Owners holding in the aggregate 25% or more in principal amount of the Series One Bonds then Outstanding and their agents and their representatives, any of whom may make copies thereof.

Section 1005. Parties Interested Herein. Nothing in this Series One Supplemental Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Issuer, the 1989 Trustee, the 1989 Credit Provider, the Series One Credit Provider, the Borrower, and the Owners of the Series One Bonds, any right, remedy or claim under or by reason of this Series One Supplemental Ordinance or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in this Series One Supplemental Ordinance contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the 1989 Trustee, the 1989 Credit Provider, the Series One Credit Provider, the Borrower, and the Owners of the Series One Bonds.

Section 1006. No Recourse. No recourse shall be had for the payment of the principal of or interest on the Series One Bonds or for any claim based thereon or on this Series One Supplemental Ordinance against any properties or assets of the Issuer (other than the Series One Trust Estate) or any member or officer of the Issuer or any person executing the Series One Bonds.

Section 1007. Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Series One Supplemental Ordinance on the part of the Issuer or the 1989 Trustee to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Series One Supplemental Ordinance.

Section 1008. Limitation of Issuer's Liability. The obligations of the Issuer under this Series One Supplemental Ordinance as well as any costs or expenses of the Issuer incurred in respect of its obligations and duties hereunder shall never constitute a debt or indebtedness of the Issuer within the meaning of any provision or limitation of the Constitution or statutes of the State of Oregon but shall be payable solely from the Series One Trust Estate pledged pursuant to this Series One Supplemental Ordinance. It is hereby recognized and agreed that neither the members of the Council of the Issuer nor any officer, employee or agent of the Issuer shall be individually liable on the Series One Bonds or the interest thereon or in respect of any undertakings by the Issuer under this Series One Supplemental Ordinance.

Section 1009. Governing Law. This Series One Supplemental Ordinance shall be interpreted governed by and construed under the laws of the State of Oregon, including the Act, as if executed and to be performed wholly within the State of Oregon.

Section 1010. Headings Not Binding. The headings in this Series One Supplemental Ordinance are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Series One Supplemental Ordinance.

Section 1011. Sale of Series One Bonds; Authorization of Other Acts. The Series One Bonds shall be sold in a negotiated sale to the Underwriter as provided in this Section 1011. The Executive Officer of the Issuer is hereby authorized, empowered and directed, for and on behalf of the Issuer, to determine and establish the following terms of and other matters relating to the Series One Bonds:

(a) the aggregate principal amount of the Series One Bonds, provided that in no event shall the aggregate principal amount of the Series One Bonds exceed the sum of \$5,000,000;

(b) (i) if applicable, the Initial Interest Rate to be applicable to the Series One Bonds during the Initial Interest Rate Period; and

(ii) the price at which the Series One Bonds are to be sold to the Underwriter; and

(c) whether there is to be an Initial Interest Rate Period and, if so, the duration thereof.

The authority of the Executive Officer of the Issuer to determine and establish the terms of and other matters relating to the Series One Bonds as provided in this Section shall be exercised by setting forth such terms and other matters as so determined and established in a certificate executed and delivered by the Executive Officer on or prior to the Closing Date.

The Series One Loan Agreement, the Series One Remarketing Agreement, the Amended and Restated Intercreditor Agreement and the Contract of Purchase in substantially the forms submitted to the Council of the

Issuer in connection with the enactment of this Series One Supplemental Ordinance is hereby approved. The Executive Officer, the Director of Finance and Administration and the Deputy Executive Officer of the Issuer, and any one of them, are each hereby authorized, empowered and directed, for and on behalf of the Issuer:

(A) to execute and deliver the Series One Loan Agreement, the Series One Remarketing Agreement, the Amended and Restated Intercreditor Agreement and the Contract of Purchase in substantially the form approved hereby but with such changes, additions and deletions as may be necessary or appropriate and not inconsistent with the terms of this Series One Supplemental Ordinance or applicable law;

(B) to execute and deliver such other documents, instruments, certificates and agreements as may be necessary or appropriate to carry out and consummate the transactions contemplated by this Series One Supplemental Ordinance; and

(C) to do and perform all other acts and things necessary or appropriate to carry out and consummate the transactions contemplated by this Series One Supplemental Ordinance.

The distribution by the Underwriter of a preliminary and a final Official Statement describing the Series One Bonds and matters pertaining thereto is authorized and/or ratified in all respects and the Executive officer is hereby authorized to sign and deliver such preliminary and final Official Statements to the Underwriter.

Section 1012. Execution of Bonds. The Series One Bonds shall be executed on behalf of the Issuer by the manual or facsimile signature of the presiding officer of the Council of the Issuer and by the manual or facsimile signature of the Executive Officer of the Issuer, and the seal of the Issuer, or a facsimile thereof, shall be affixed thereto or imprinted thereon. Any facsimile signatures shall have the same force and effect as if the appropriate officers had personally signed each of the Series One Bonds. In case one or any of the officers who shall have signed or attested the Series One Bonds or whose reproduced facsimile signature appears thereon shall cease to be such officer or officers before the Series One Bonds so signed and attested shall have been actually issued and delivered, the Series One Bonds may be issued and delivered as though the person who signed or attested or whose reproduced facsimile signature appears on such bonds had not ceased to be such officer. Neither the members, directors, officers or agents of the Issuer nor any person executing the Series One Bonds shall be liable personally or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 1013. Covenant to Maintain Federal Tax-Exempt Status of Interest. The Issuer hereby covenants and agrees that it will not make any use of the proceeds of the Series One Bonds issued as Tax-Exempt Obligations or the facilities financed from such proceeds which would cause the interest on such Series One Bonds to become includable for federal income tax purposes in the gross incomes of the Owners (other than any Owner who is a "substantial user" of the facilities financed out of the proceeds of the Series One Bonds or a "related person," as such terms are used in Section 147(a) of the Code), and that it will take all actions within its control which are necessary in order to ensure that the interest on such Series One Bonds does not become includable for federal income tax purposes in the gross incomes of the Owners (other than any Owner who is a "substantial user" or a "related person" as aforesaid).

Section 1014. Notice to Rating Agencies. So long as the Series One Bonds are rated by a Rating Agency, the Issuer shall give each such Rating Agency prior written notice of any of the following events:

- (a) Any change of 1989 Trustee, Series One Tender Agent or Series One Remarketing Agent;
- (b) Any material changes to this Series One Supplemental Ordinance that affect the Series One Bonds;

- (c) Any expiration or termination of the Series One Credit Facility;
- (d) Any change in the Rate Period applicable to any Series One Bonds; and
- (e) Any redemption or defeasance of all or any Series One Bonds.

Section 1015. References to Series One Credit Facility Ineffective Upon Termination or Expiration. Notwithstanding anything expressed or implied herein to the contrary, during any period of time in which the Series One Credit Facility or any Alternate Credit Facility is not in effect with respect to any Series One Bonds, all references in this Ordinance, and all terms and provisions of this Series One Supplemental Ordinance relating, to the Series One Credit Provider (insofar as such references relate to the Series One Credit Facility or the Series One Bonds), the Series One Credit Facility and any Alternate Credit Facility shall be void and of no force or effect.

Section 1016. Conflict with Master Ordinance. Notwithstanding anything expressed or implied herein to the contrary, in the event of any conflict between the terms and provisions of this Series One Supplemental Ordinance and the Master Ordinance (other than the terms and provisions set forth in Article II of the Master Ordinance), the terms and provisions of this Series One Supplemental Ordinance shall govern and control in all respects insofar as the Series One Bonds are concerned; *provided that* in the event of any conflict between the terms and provisions of this Series One Supplemental Ordinance and the terms and provisions set forth in Article II of the Master Ordinance, the terms and provisions of Article II of the Master Ordinance shall govern and control in all respects.

Section 1017. [RESERVED]

Section 1018. Effectiveness of This Ordinance. This Ordinance shall, except as otherwise provided by law, become effective immediately upon enactment.

Section 1019. Relationship to 1989 Supplemental Ordinance. This Series One Supplemental Ordinance is enacted pursuant to Section 801 of the 1989 Supplemental Ordinance as an amendment of the 1989 Supplemental Ordinance to authorize the issuance of Additional Bonds (as defined in the 1989 Supplemental Ordinance). Except as otherwise expressly stated in this Series One Supplemental Ordinance, this Series One Supplemental Ordinance governs and controls all matters relating to the Series One Bonds (including, but not limited to, the terms and sources of payment on the Series One Bonds, the Series One Trust Estate and the obligations secured thereby, and Series One Events of Default) and notwithstanding anything expressed or implied herein to the contrary, in the event of any conflict between the terms and provisions of this Series One Supplemental Ordinance and the 1989 Supplemental Ordinance, the terms and provisions of this Series One Supplemental Ordinance shall govern and control in all respects insofar as the Series One Bonds are concerned. Notwithstanding the foregoing, the rights and obligations of the 1989 Trustee under the 1989 Supplemental Ordinance apply with respect to the Series One Bonds except to the extent of any conflict with this Series One Supplemental Ordinance. Except for the pledge of additional assets to the Series A Trust Estate, nothing in this Series One Supplemental Ordinance shall affect the terms and conditions of the 1989 Supplemental Ordinance with respect to the Series A Bonds.

Certification of Ordinance

The undersigned do hereby certify that we are the duly elected or appointed, qualified and acting Executive Officer, Presiding Officer of the Council and Clerk of the Council of the Metropolitan Service District, Counties of Multnomah, Clackamas and Washington, State of Oregon; that the foregoing is a true and complete copy of Ordinance No. 90-353 as enacted by the Council of said district at a regular meeting duly called and held in accordance with law on June 14, 1990; and that the following Councilors voted in favor of said Ordinance:

Tanya Collier, Gary Hansen, Larry Bauer,
Roger Buchanan, Tom DeJardin, Richard Devlin
Jim Gardner, David Knowles, George Van Bergen, Judy Wyers

the following Councilors voted against said Ordinance:

None.

and the following Councilors abstained from voting on said Ordinance:

None.

In addition, the Executive Officer hereby certifies that the foregoing ordinance has not been vetoed thereby.

In witness whereof, the undersigned have hereunto set their hands as of the dates set forth below.

Attest:

Tanya Collier, Presiding Officer

Date: _____

Clerk of the Council

Date: _____



Rena Cusma, Executive Officer

Date: 6/14/90

Bond Form Appendix

to

Ordinance No. 90-353

**METROPOLITAN SERVICE DISTRICT
WASTE DISPOSAL PROJECT REVENUE BONDS
(RIEDEL OREGON COMPOST COMPANY, INC. PROJECT)
1990 SERIES ONE**

R- _____

\$ _____

<u>ORIGINAL ISSUE DATE</u> June __, 1990	<u>TYPE OF RATE PERIOD</u> Weekly	<u>MATURITY DATE</u> July 1, 2011	<u>CUSIP</u>
---	--------------------------------------	--------------------------------------	--------------

REGISTERED OWNER: ***** Cede & Co. *****

PRINCIPAL AMOUNT: ***** **DOLLARS**

The Metropolitan Service District, a political subdivision organized and existing under the laws of the State of Oregon (the "Issuer"), for value received hereby promises to pay (but only from the sources hereinafter provided and not otherwise) to the Registered Owner of this Series One Bond (the "Owner") the Principal Amount specified above on the Maturity Date specified above together with interest at the then applicable rate (as described below) on the balance of said Principal Amount from time to time remaining unpaid. This Bond is one of an authorized series of Bonds (the "Series One Bonds") being issued pursuant to the provisions of Chapter 268 of the Oregon Revised Statutes, as amended, and certain other provisions of the laws of the State of Oregon (the "Act"), Ordinance No. 89-319 (the "Master Ordinance"), Ordinance No. 89-320 (the "1989 Supplemental Ordinance"), and Ordinance No. 90-353 (the "Series One Supplemental Ordinance and, together with the Master Ordinance and the 1989 Supplemental Ordinance being the "Ordinance"), and in accordance with the terms of the Ordinance, the Bond may be converted from one Weekly, Monthly, Semiannual or Extended Rate Period (each a "Variable Rate Period") to another Variable Rate Period or to or from a Commercial Paper Rate Period or Periods or to a Fixed Rate. Notice of any such conversion shall be given to the Owner as provided in the Ordinance. The books and records of the 1989 Trustee shall be conclusive evidence of the Rate Period and the particular rate(s) of interest applicable to this Bond during any period of time and the Owner shall be bound thereby with respect to the applicable Rate Period and the particular rate(s) of interest. The rate(s) of interest applicable to this Bond with regard to any particular Rate Period shall be determined by the Series One Remarketing Agent in the manner and at the times provided in the Ordinance. All terms used in this Bond and not otherwise defined herein shall have the respective meanings assigned thereto in the Ordinance.

THE TERMS AND CONDITIONS OF THIS BOND ARE CONTINUED ON THE REVERSE SIDE HEREOF, WHICH CONTINUED TERMS AND CONDITIONS SHALL HAVE THE SAME EFFECT AS IF PRINTED ABOVE.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the State of Oregon and the Ordinance to have happened, to exist and to have been performed precedent to and in the issuance of this Bond and the Series One Bonds do exist, have happened and have been performed in regular and due time, form and manner as required by said Constitution, laws and Ordinance; that this Bond and the Series One Bonds do not exceed any constitutional or statutory limitation or indebtedness; and that provision has been made for the payment of the principal of and interest on this Bond and the Series One Bonds as provided in the Ordinance.

This Bond shall not be valid or become obligatory for any purpose unless and until it has been authenticated in the space provided below by a duly authorized officer of the 1989 Trustee.

IN WITNESS WHEREOF, THE METROPOLITAN SERVICE DISTRICT has caused this Bond to be signed by means of the manual or facsimile signatures of its Presiding Officer and Executive Officer, all as of the Original Issue Date set forth above.

METROPOLITAN SERVICE DISTRICT

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Series One Bonds issued pursuant to the Ordinance.

FIRST INTERSTATE BANK OF OREGON, N.A.
as 1989 Trustee

By: _____
Its Authorized Officer

Presiding Officer

Executive Officer

Date of Authentication: _____

This Bond and the rights of the Owner are in all respects subject to and governed by the Ordinance, and the Owner, by acceptance of this Bond, assents to and agrees to be bound by all terms and provisions set forth in the Ordinance.

The Series One Bonds are being issued to provide funds which together with other available funds will be used to: (1) make the Series One Loan to Riedel Oregon Compost Company, Inc. (the "Borrower") pursuant to a Loan Agreement dated as of June 1, 1990 (the "Series One Loan Agreement") between the Issuer and the Borrower, the proceeds of which Series One Loan will be used to pay a portion of the costs of the 1989 Compost Project; (2) refund the Issuer's Waste Disposal Project Revenue Bonds (Riedel Oregon Compost Company, Inc. Project), 1989 Series B; and (3) pay certain costs of issuance incurred in connection with the issuance and sale of the Series One Bonds. The Series One Bonds are secured by a pledge of the Series One Trust Estate, which initially includes the Series One Credit Facility initially consisting of an irrevocable letter of credit issued by United States National Bank of Oregon in favor of the 1989 Trustee for the account of the Borrower pursuant to the Series One Credit Agreement. For a more detailed description of the collateral pledged as security for the Series One Bonds and the terms of such pledge, reference should be made to the Ordinance. The Series One Bonds are not in any manner or to any extent a general obligation of the Issuer nor a charge upon any revenues or property of the Issuer not specifically pledged thereto. The Owners of the Series One Bonds cannot compel the Issuer to levy any taxes for the purpose of paying any amounts owing under the Series One Bonds. The Series One Bonds are payable solely and only out of the Series One Trust Estate pledged thereto.

The Series One Bonds are subject to mandatory tender for purchase and optional redemption prior to maturity only as provided in the Ordinance.

The Series One Bonds are issuable as fully registered Bonds without coupons as provided for in the Ordinance. This Bond is transferable by the Owner as provided for in the Ordinance.

No recourse shall be had for the payment of the principal of, or premium, if any, or interest on, any of the Series One Bonds or for any claim based thereon or upon any obligation, covenant or agreement contained in the Ordinance against any past, present or future commissioner, officer, employee or agent of the Issuer, or any successor, under any rule of law of equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such member, officer, employee or agent as such is hereby expressly waived and released as a condition of, and in consideration for, the issuance of this Bond.

The Owner shall have no right to enforce the provisions of the Ordinance or to institute action to enforce the covenants therein, or to take any action with respect to any Series One Event of Default under the Ordinance, or to institute, appear in or defend any suit or other proceedings with respect thereto, except as provided in the Ordinance. If a Series One Event of Default (as defined in the Ordinance) occurs, the principal of all Series One Bonds then outstanding under the Ordinance may be declared due and payable upon the conditions and in the manner and with the effect provided in the Ordinance.

The Issuer, the 1989 Trustee and any paying agent of the Issuer or the 1989 Trustee may treat the person in whose name this Bond is registered as the Owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Bond be overdue, and neither the Issuer, the 1989 Trustee nor any paying agent shall be affected by notice to the contrary.

The Ordinance prescribes the manner in which it may be discharged, including a provision that the Series One Bonds shall be deemed to be paid if cash and/or Government Obligations (as defined in the Ordinance) maturing as to principal and interest in such amounts and at such times as will be such to insure the availability of sufficient moneys to pay the principal of, and premium, if any, and interest on, the Series One Bonds shall have been deposited with the 1989 Trustee, after which the Series One Bonds shall no longer be secured by or entitled to the benefits of the Ordinance, except for the purposes of registration and exchange of Series One Bonds and of payment from such source.

Reference is hereby made to the Ordinance, copies of which are on file with the 1989 Trustee, for the provisions, among others, with respect to the nature and extent of the rights, duties and obligations of the Issuer, the 1989 Trustee and the Owners of the Series One Bonds, the terms upon which the Series One Bonds are issued and secured, the collection and disposition of the Series One Loan Repayments pledged as security for the Series One Bonds, the modification, amendment or supplementation of the Ordinance, and other matters, to all of which the Owner assents by the acceptance of this Bond.

Modifications and alterations of the Ordinance or of any supplements thereto may be made only to the extent and in the circumstances permitted by the Ordinance.

ASSIGNMENT

For value received, the undersigned sells, assigns and transfers unto _____

(please insert social security or other tax identification number of assignee)

the within 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.

Date:

Note: the signature(s) must correspond with the name(s) as written on the face of this Bond in every particular without enlargement, alteration or any change whatsoever.

Signature Guarantees: _____
(Bank, Trust Company or NYSE Firm)

(Authorized Officer)

FINANCE COMMITTEE REPORT

ORDINANCE NO. 90-353, AUTHORIZING THE ISSUANCE OF
ADDITIONAL BONDS IN CONNECTION WITH THE 1989 COMPOSTER
PROJECT BONDS

Date: June 8, 1990

Presented by: Councilor Van Bergen

COMMITTEE RECOMMENDATIONS: At the June 7, 1990 meeting the Committee voted unanimously to recommend that the Council adopt Ordinance No. 90-353 as amended. Voting in favor of the motion were Councilors Collier, Devlin, Gardner, Van Bergen and Wyers.

COMMITTEE DISCUSSION/ISSUES: General Counsel Dan Cooper presented the staff report. He indicated that the Ordinance authorizes the issuance of up to \$5,000,000 in District bonds for the Composter Project. Repayment of the bonds would be the sole responsibility of the Riedel Company and Metro would have no financial obligation to the bond holders.

The proceeds of the bond sale would allow Riedel to refinance \$1,500,000 of Series B bonds, finance \$3,000,000 of additional equity contributions and pay up to \$500,000 in necessary bond issuance costs.

Dan Cooper pointed out that the Ordinance had been reviewed by the Solid Waste Committee which recommended Council adoption with an amendment. He reviewed the proposed amendment which is needed to satisfy the concerns of Standard and Poors Corporation, the bond rating agency (see Exhibit A attached).

The Committee approved the proposed amendment and recommended adoption of the Ordinance as amended.

NOTE: The Ordinance attached to this report is the amended version recommended by the Solid Waste Committee and the Finance Committee.

DEC:aeb
Attachment
A:\90-353.ORD

**METRO**2000 S.W. First Avenue
Portland, OR 97201-5398
503/221-1646*Memo*(Finance Committee Report/
Ord. No. 90-353)

DATE: June 7, 1990
TO: Council Finance Committee
FROM: Donald E. Carlson *DE*
RE: CONSIDERATION OF ORDINANCE NO. 90-353 AS AMENDED

The attached memorandum from Stoel, Rives, Boley, Jones & Grey contains language adopted by the Solid Waste Committee June 5 (Buchanan; 3/0 vote) to amend Ordinance No. 90-353.

Dan Cooper General Counsel, said the ordinance final version would be prepared for the June 14 Council meeting after Finance Committee consideration and action June 7.


DEC:pa

ORDAMEND.353

STOEL RIVES BOLEY JONES & GREY

MEMORANDUM

June 5, 1990

TO: PERSONS ON THE ATTACHED DISTRIBUTION LIST
FROM: ROBERT H. POZNANSKI 
CLIENT: Metropolitan Service District
MATTER: Riedel Series One Bonds
RE: Failure to Receive Remarketing Proceeds

Michael Plunkett of Standard & Poor's Corporation expressed some concern that the Series One Supplemental Ordinance does not provide for a draw on United States National Bank of Oregon's letter of credit in the event that the Remarketing Agent notifies the 1989 Trustee of its remarketing of a certain amount of Series One Bonds, but remarketing proceeds with respect to some or all of those Series One Bonds have not been received. Although the 1989 Supplemental Ordinance did not explicitly address this issue, the 1989 Credit Facility allows the 1989 Trustee to make a "B Drawing" to pay the Purchase Price on the Series A & B Bonds until 12:00 noon (New York City Time) on the Purchase Date. This gives the 1989 Trustee time to determine whether all the remarketing proceeds have been received by the 11:30 a.m. (New York City Time) deadline established under Section 306(d)(i) of the 1989 Supplemental Ordinance.

I am transmitting a revised Section 306(a) to the Series One Supplemental Ordinance that I propose to add to the Series One Supplemental Ordinance being submitted to the Solid Waste Committee this afternoon. The revised section sets forth a mechanism developed in a conversation with the 1989 Trustee. Specifically, the revised section requires the Remarketing Agent to confirm its receipt of remarketing proceeds and, in the event that not all of the remarketing proceeds have been received, provides for a draw on the Series One Credit Facility to cover any shortfall. Please call me if you have any questions or comments.

A copy of such notice shall be sent to the Issuer, the Series One Tender Agent and the Borrower. Notice having been so given, such mandatory tender shall occur on the date provided in such notice whether or not an Alternate Credit Facility is provided after such initial notice has been given.

(d) **Remarketing.** At or before 4:00 p.m. (New York City Time) on the Business Day immediately following the last day on which notices of election to retain Series One Bonds may be delivered pursuant to Section 305(a) above, the Series One Tender Agent shall notify the Series One Remarketing Agent by telephone, telegram, teletype, telex or other similar communication of the aggregate principal amount of Series One Bonds to be tendered for purchase on the mandatory tender date. The Series One Remarketing Agent shall offer for sale and use its best efforts to find purchasers for the Series One Bonds to be tendered pursuant to Section 305(a) above. In the case of replacement of the Series One Credit Facility, the Series One Remarketing Agent shall inform prospective purchasers of the identity of the new Series One Credit Provider and the ratings to be in effect on the Series One Bonds following such conversion. The terms of any sale shall provide for the sale of the Series One Bonds to be tendered at the Purchase Price payable at or before 11:30 a.m. (New York City Time) in immediately available funds.

(e) **Mandatory Purchase Upon Occurrence of Event of Default under Series One Credit Agreement.** In the event that the Series One Credit Provider shall give written notice to the 1989 Trustee, the Issuer, the Series One Remarketing Agent, the Series One Tender Agent and the Borrower that an Event of Default under and as defined in the Series One Credit Agreement has occurred which has not been waived or cured within the applicable time period and instructing the 1989 Trustee to effect a mandatory purchase pursuant to this Section 305(e), then and in such event all Series One Bonds which are secured by the Series One Credit Facility provided under such Series One Credit Agreement shall be purchased or deemed purchased (as provided in Section 302(l) hereof) on the date specified by the 1989 Trustee as provided below.

Within five days of the date of receipt by the 1989 Trustee of the notice from the Series One Credit Provider described in the immediately preceding paragraph, the 1989 Trustee shall give a written mandatory purchase notice by first class mail, postage prepaid, to the Owners of the Outstanding Series One Bonds subject to mandatory purchase pursuant to this Section, which notice:

(i) shall state that such bonds are subject to mandatory purchase pursuant to this Section by virtue of the occurrence and continuation of an Event of Default under and as defined in the Series One Credit Agreement or by virtue of the occurrence of the circumstances referred to in Section 305(c)(2) above;

(ii) shall specify the Purchase Date, which shall be a Business Day selected by the 1989 Trustee and a date not earlier than the tenth nor later than the seventeenth day following the date of mailing of such notice of mandatory purchase; and

(iii) shall state that all Series One Bonds affected thereby shall be purchased or deemed purchased on such Purchase Date and that no Owner of such Series One Bonds shall have the right to retain such Series One Bonds after such Purchase Date.

Section 306. Purchase of Tendered Bonds.

(a) Notices.

(i) **Notice of Purchase of Tendered Bonds.** At or before 3:30 p.m. (New York City Time) on the Business Day immediately preceding the Purchase Date (or 10:30 a.m. (New York City Time) on the Purchase Date in the case of Series One Bonds bearing interest at Commercial Paper Rates), the Series One Remarketing Agent shall give notice by telephone, telegram, teletype, telex or other similar communication to the 1989 Trustee of the principal amount of tendered Series One Bonds which have been

remarketed and of the names, addresses and taxpayer identification numbers of the purchasers and the denominations of remarketed Series One Bonds to be delivered to each purchaser. Upon the receipt of such notice (or, if no notice is received) the 1989 Trustee shall give the related Series One Credit Provider the notices at the time and in the manner required under the related Series One Credit Facility with respect to such Series One Credit Provider's obligation to purchase any such Series One Bonds which have not been remarketed and draw on such Series One Credit Facility pursuant to Article III hereof.

(ii) Failure to Receive Remarketing Proceeds. At or before 11:30 a.m. (New York City Time) on the Purchase Date (being the time set forth in Section 306(d)(i) for the receipt of the Purchase Price of all Series One Bonds which have been remarketed), the Series One Remarketing Agent shall give confirmation by telephone, telegram, teletype, telex or other similar communication to the 1989 Trustee of the principal amount of tendered Series One Bonds with respect to which (A) notice of remarketing was given to the 1989 Trustee pursuant to Section 306(a)(i) and (B) payment of the Purchase Price in accordance with Section 306(d)(i) has been received. Upon the receipt of such confirmation (or, if no confirmation is received) the 1989 Trustee shall give the Series One Credit Provider notice before 12:00 noon (New York City Time) on the Purchase Date in the manner required under the Series One Credit Facility with respect to the Series One Credit Provider's obligation to purchase any remarketed Series One Bonds for which remarketing proceeds have not been received and draw on such Series One Credit Facility pursuant to Article III hereof an amount equal to the Purchase Price of those remarketed Series One Bonds with respect to which the 1989 Trustee has not received confirmation of the receipt of remarketing proceeds.

(b) Sources of Payment. The Series One Remarketing Agent shall pay to the Series One Tender Agent on the Purchase Date all amounts representing proceeds of the Series One Remarketing of such Series One Bonds, such payments to be made in the manner and at the time specified in Sections 302(d), 303(b), 304(d) and 305(d), as applicable. All such proceeds shall be held by the Series One Tender Agent in trust in a separate segregated account and invested solely in Government Obligations which mature not later than the earlier of 30 days after the date of acquisition or the date by which such moneys are expected to be needed to pay the Purchase Price of the related Series One Bonds. The Series One Credit Provider has agreed under the Series One Credit Facility to pay to the 1989 Trustee the Purchase Price of the related Series One Bonds that have not been remarketed on or before 3:30 p.m. (New York City Time) on the Purchase Date.

(c) Payments by the Series One Tender Agent; Payments Due on Saturdays, Sundays and Holidays. Before 4:00 p.m. (New York City Time), on the Purchase Date and upon receipt by the Series One Tender Agent of 100% of the aggregate Purchase Price of the tendered Series One Bonds, the Series One Tender Agent shall pay the Purchase Price of such Series One Bonds to the Owners thereof at its Delivery Office or by bank Wire Transfer. Such payments shall be made in immediately available funds. Payments of such Purchase Price are to be made from the following sources in the order of priority indicated:

(i) the proceeds of the sale of the Series One Bonds which have been remarketed by the Series One Remarketing Agent pursuant to Section 302 of this Series One Supplemental Ordinance (other than proceeds of a sale of the Series One Bonds to the Borrower, any of the Affiliates of the Borrower, or the Issuer);

(ii) moneys paid to the 1989 Trustee pursuant to the Series One Credit Facility; and

(iii) moneys deposited by the Borrower with the 1989 Trustee for the specific purpose of paying the Purchase Price of any Series One Bonds.

Whenever the Purchase Date for any Series One Bond falls on a day which is not a Business Day, then payment of the Purchase Price of such Series One Bond shall be made (upon delivery of such Series One Bond to the

Series One Tender Agent as provided above) on the next Business Day with the same force and effect as if made on the applicable Purchase Date.

(d) **Registration and Delivery of Tendered or Purchased Bonds.** On the Purchase Date, the Bond Registrar shall register and deliver (or hold) all Series One Bonds purchased on any Purchase Date as follows:

(i) Series One Bonds purchased or remarketed by the Series One Remarketing Agent shall be registered in accordance with the instructions of the Series One Remarketing Agent and made available to be picked up by the Series One Remarketing Agent against payment of the Purchase Price by 11:30 a.m. (New York City Time); and

(ii) Series One Bonds purchased under a Series One Credit Facility shall be registered in the name of the related Series One Credit Provider or its nominee and shall be delivered to such Series One Credit Provider or to its agent.

(e) **Delivery of Bonds; Effect of Failure to Surrender Bonds.** All Series One Bonds to be purchased on any date shall be required to be delivered to the Delivery Office of the Series One Tender Agent at or before 11:30 a.m. (New York City Time) on the Purchase Date, except that Series One Bonds bearing interest at Semiannual or Extended Rates being tendered for purchase at the election of the Owner pursuant to Section 302 shall be delivered to the Delivery Office of the Series One Tender Agent along with the notice of tender.

If the Owner of any Series One Bond (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such Series One Bond to the Series One Tender Agent for purchase on the Purchase Date, and if the Series One Tender Agent is in receipt of the Purchase Price therefor, such Series One Bond (or portion thereof) shall nevertheless be deemed purchased on the Purchase Date and ownership of such Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in Section 306(d) above. Any Owner who fails to deliver a Series One Bond for purchase as required above shall have no further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Series One Bond to the Series One Tender Agent. The Series One Tender Agent shall promptly notify the 1989 Trustee of any such failure to deliver a Series One Bond to the Series One Tender Agent and the 1989 Trustee shall be entitled to conclusively rely on such notification.

(f) **No Physical Delivery Required While Book-Entry System in Place.** Notwithstanding anything expressed or implied in this Series One Supplemental Ordinance to the contrary, so long as the Book-Entry System for the Series One Bonds is maintained by the Issuer, there shall be no requirement of physical delivery to the Series One Tender Agent of any Series One Bonds subject to mandatory or optional purchase as a condition to the payment of the Purchase Price therefor. Rather notice of any change in ownership of any Series One Bond as a result of any such mandatory or optional purchase shall be given by the Series One Remarketing Agent to DTC by telephone, telegram, teletype, telex or other similar communication on or before 12:00 noon (New York City time) on the applicable Purchase Date and DTC shall thereupon register the transfer of Beneficial Ownership of such Series One Bond as directed in such notice, whereupon the Purchase Price shall be paid to the former Beneficial Owner thereof.

Section 307. Credit Purchased Bonds. In the event that any Series One Bonds are registered in the name of a Series One Credit Provider pursuant to Section 306(d), the Series One Remarketing Agent shall continue to offer for sale and use its best efforts to sell such Series One Bonds at the Purchase Price. Prior to such remarketing, the Series One Tender Agent shall deliver such Series One Bonds to the Series One Credit Provider or its designee, or, if so instructed by such Series One Credit Provider, shall hold such Series One Bonds on its behalf, *provided that*, so long as the Book-Entry System for the Series One Bonds is maintained by the Issuer, notice of any change in ownership shall be given to DTC as described above in Section 306(f). While a Series One Credit Facility is effective, Series One Bonds paid for with funds made available under such Series One Credit Facility shall not be delivered upon remarketing unless such Series One Credit Facility is automatically reinstated for the principal

SOLID WASTE COMMITTEE REPORT

ORDINANCE NO. 90-353, AN ORDINANCE ENACTED AS A SUPPLEMENTAL ORDINANCE TO ORDINANCE NOS. 89-319 AND 89-320; ESTABLISHING A PLAN FOR FINANCING THE 1989 COMPOST PROJECT TO SERVE AS A PART OF THE METROPOLITAN SERVICE DISTRICT'S SOLID WASTE DISPOSAL SYSTEM; AUTHORIZING THE ISSUANCE OF ADDITIONAL BONDS IN CONNECTION WITH ITS ISSUANCE OF THE 1989 COMPOST PROJECT BONDS FOR SUCH PURPOSE; AND ESTABLISHING AND DETERMINING OTHER MATTERS IN CONNECTION THEREWITH

Date: June 6, 1990

Presented by: Councilor
Gary Hansen

Committee Recommendation: The Solid Waste Committee voted 3 to 0 to recommend Council adoption of Ordinance No. 90-353. Voting: Councilors Hansen, Buchanan and DeJardin. Absent: Councilors Bauer and Wyers. This action was taken June 5, 1990.

Committee Discussion/Issues: Dan Cooper, General Counsel, presented the staff report. Ordinance No. 90-353 would authorize the issuance of up to \$5 million in additional bonds for the Riedel Composter project.

The Council approval of Ordinance No. 89-320 authorized the sale of \$26,605,000 in District Bonds. The Bonds were issued in two series; Series A and Series B. The Series B bonds were issued as a vehicle to secure tax-exempt financing for Riedel for a portion of Riedel's equity contribution. The Series B bonds were in the amount of \$1,500,000.

Since Council adoption of Ordinance No. 90-320, Riedel has needed to contribute additional equity to the Composter Project. These contributions have reached approximately \$3,000,000. Riedel seeks to obtain tax-free financing of this additional equity.

Ordinance No. 90-353 would authorize bonds to allow Riedel to refinance the \$1,500,000 in Series B Bonds, finance its \$3,000,000 in additional equity, and pay up to \$500,000 in necessary costs issuing the bonds.

A public hearing was held on Ordinance No. 90-353 June 5, 1990, but there was no public testimony.

The Solid Waste Committee asked what Metro's responsibilities were regarding the repayment of the Series B bonds. General Counsel assured the Committee that Metro will not be obligated to pay any of the debt service on the bonds or any of the costs of issuance. Repayment of the Series B Bonds is not secured by revenues derived from the Composter Project or Service Agreement and is solely Riedel's responsibility. The Bonds will be backed by a Letter of Credit issued by the United States National Bank of Oregon.

SOLID WASTE COMMITTEE REPORT

Ordinance No. 90-353

June 6, 1990

Page 2

General Counsel pointed out that Standard & Poor's Corporation has expressed concern that the ordinance does not provide for a draw on the Letter of Credit in certain circumstances.

Stoel, Rives, Boley, Jones & Grey submitted recommended language to avoid the potential problem. The Solid Waste Committee voted to amend Ordinance No. 90-353 to reflect the new language (see Section 306(a)).

There were no further questions and the Committee voted unanimously to recommend to the Finance Committee Council adoption of Resolution No. 90-353.

GH:RRB:pa

RRB.187

STOEL RIVES BOLEY JONES & GREY

MEMORANDUM

June 13, 1990

TO: DANIEL B. COOPER
cc: Edward D. Einowski (w/encl.)

FROM: ROBERT H. POZNANSKI

CLIENT: Metropolitan Service District

MATTER: Riedel Series One Bonds

RE: Revised Section 404

At the time Ordinance No. 90-353 (the "Series Supplemental Ordinance") was submitted to the Metro Council, the parties to the transaction had not had an opportunity to adequately address all the issues relating to the mechanics of how the proceeds of the Series One Bonds would be used to redeem the outstanding Series B Bonds. In particular, it was unclear what advantages and disadvantages might result from defeasing the Series B Bonds, i.e., releasing certain assets pledged to the Series B Bonds from that pledge. Subsequently, we have been able to conclude that the borrower will benefit if the Series B Bonds are not defeased and the other parties, including Metro and the owners of the Series B Bonds, will not be adversely affected.

In light of this conclusion, I have revised Section 403 of the Series One Supplemental Ordinance to eliminate the mechanics relating to defeasance. I attach pages from the Series One Supplemental Ordinance marked to show these changes.

Please call me if you have any questions or comments.

In addition, on the Interest Payment Date on which the Series B Bonds are redeemed the following transfers shall be made:

(d) all moneys properly attributable to the Series B Bonds, in an amount specified in writing by or on behalf of the Issuer to be provided to the 1989 Trustee on or before the Closing Date, shall be transferred from the 1989 Construction Account, but not from the Series One Subaccount thereof, to the Series One Subaccount of the 1989 Construction Account;

(e) all moneys in the Series B Reserve Account shall be transferred to the Series One Subaccount of the 1989 Construction Account; and

(f) all moneys properly attributable to the Series B Bonds (except for the amount required to pay accrued interest on the Series B Bonds on the Interest Payment Date on which the Series B Bonds are redeemed), in an amount specified in writing by or on behalf of the Issuer to be provided to the 1989 Trustee on or before the Closing Date, shall be transferred from the 1989 Debt Service Account, but not from the Series One Subaccount thereof, to the Series One Subaccount of the 1989 Debt Service Account.

Section 403. The Series One Subaccount of the 1989 Construction Account. Amounts on deposit in the Series One Subaccount of the 1989 Construction Account shall be disbursed and applied from time to time to pay the Capital Costs of the 1989 Compost Project upon compliance with the requisition provisions set forth in this Section. Upon the receipt by the 1989 Trustee of a Requisition Certificate signed by the Borrower and meeting the requirements of Section 5.1 of the Series One Loan Agreement, the 1989 Trustee shall disburse from the Series One Subaccount of the 1989 Construction Account to or upon the order of the Borrower the amount requested in such Requisition Certificate.

Notwithstanding anything expressed or implied herein to the contrary:

(i) not less than 95% of the moneys and investment earnings on deposit in the Series One Subaccount of the 1989 Construction Account shall be expended for Qualifying Costs; and

(ii) in no event shall the proceeds of the Series One Bonds be expended to pay Costs of Issuance in excess of two percent (2%) of the proceeds of the Series One Bonds (within the meaning of Code Section 147(g)(1)).

Any balance remaining in the Series One Subaccount of the 1989 Construction Account after payment of all Capital Costs of the 1989 Compost Project shall be transferred to and deposited in the Series One Subaccount of the 1989 Debt Service Account and applied, to the extent possible, to redeem Series One Bonds at the earliest possible date at which such bonds may be redeemed without premium, with any amounts remaining after such redemption of Series One Bonds to be used to pay interest on the Series One Bonds then Outstanding; *provided that* pending such application the moneys so transferred to the Series One Subaccount of the 1989 Debt Service Account shall be invested at such yield as shall be specified in an Opinion of Bond Counsel delivered to the Issuer, the Borrower and the 1989 Trustee.

Section 404. The Series B Refunding Account. The amounts deposited in the Series B Refunding Account are to be deposited therein for the purpose of ~~redeeming and retiring~~ ~~defeasing~~ the Series B Bonds as provided in and pursuant to ~~Section 1001(b) of the 1989 Supplemental Ordinance.~~ The amounts on deposit in the Series B Refunding Account shall be invested in Investment Securities ~~Government Obligations~~ as the Issuer shall, at the direction of the Borrower and with the reasonable consent of the 1989 Credit Provider, specify on the Closing Date. The amounts on deposit in the Series B Refunding Account shall be held by the 1989 Trustee in trust for the sole and exclusive benefit of the holders of the Series B Bonds and, as long as the 1989 Credit Facility remains in full

force and effect with respect to the Series B Bonds, the 1989 Credit Provider, to secure the performance of the Borrower obligations under the 1989 Credit Agreement with respect to the Series B Bonds, and shall be used by the 1989 Trustee for the purpose of paying the redemption price of (1) all Credit Purchased Bonds acquired by the 1989 Credit Provider on or after the date on which formal, irrevocable notice is provided to owners of the Series B Bonds of the redemption date established by the Borrower with respect to the Series B Bonds, which Credit Purchased Bonds shall be redeemed as soon as practicable following the date on which they are acquired by the 1989 Credit Provider, (2) all Series B Bonds outstanding on the redemption date established by the Borrower with respect to the Series B Bonds and (3) to the extent otherwise permitted under the 1989 Supplemental Ordinance, to pay any other amounts owed with respect to the Series B Bonds. The amounts on deposit in the Series B Refunding Account shall not secure or be available to pay any amounts owing on any outstanding bonds other than the Series B Bonds, and no holders of any bonds (other than the holders of the Series B Bonds) shall have any right, title or interest therein or claim thereto. Any moneys remaining on deposit in the Series B Refunding Account after payment in full of all amounts owing under the Series B Bonds shall be transferred to the Series One Subaccount of the 1989 Construction Account.

Section 405. The Series One Subaccount of the 1989 Debt Service Account. In addition to the deposit required by Sections 402 and 403 hereof, there shall be deposited in the Series One Subaccount of the 1989 Debt Service Account all Series One Loan Repayments as and when received by the 1989 Trustee. On each date upon which any amounts of principal of, premium (if any) or interest on the Series One Bonds are due and payable, the 1989 Trustee shall withdraw from the Series One Subaccount of the 1989 Debt Service Account an amount equal to the amounts due on the Series One Bonds and use the amounts so withdrawn to pay to the Owners of the Series One Bonds the amounts so due thereon; *provided that* if, on any payment date for the Series One Bonds, the principal, interest or premium due on the Series One Bonds on such date has been paid from moneys drawn under the Series One Credit Facility, then the 1989 Trustee, after payment of all amounts due on the Series One Bonds on such date, shall withdraw from the Series One Subaccount of the 1989 Debt Service Account, to the extent available, an amount equal to the amount drawn under the Series One Credit Facility for the purpose of paying such amounts and shall pay the amount so withdrawn to the related Series One Credit Provider in repayment of the corresponding amount owing under the related Series One Credit Agreement. Pursuant to the Amended and Restated Intercreditor Agreement, Series One Loan Repayments (but not moneys drawn under the Series One Credit Facility) are subordinate in right of payment to Series A Loan Repayments.

Section 406. The Series One Subaccount of the 1989 Rebate Account.

(a) Calculation of Rebate Amount; Deposits to and Withdrawals from the Series One Subaccount of the 1989 Rebate Account. The Issuer, pursuant to the Series One Loan Agreement, has covenanted and agreed that, in accordance with the applicable provisions of the Code, it shall cause a Rebate Analyst to calculate the Rebate Amount accruing with respect to each issue of Series One Bonds as provided herein. Within 25 days after the close of each Calculation Period for each issue of Series One Bonds and within 25 days after the final payment in full of all 1989 Compost Project Bonds of a particular issue, the 1989 Trustee shall provide the Issuer and the Rebate Analyst with detailed information concerning the investments made during the Calculation Period just ended out of any moneys held by the 1989 Trustee hereunder which relate to such issue of Series One Bonds and the Rebate Analyst shall compute the Rebate Amount for such issue of Series One Bonds in accordance with the requirements of Section 148(f) of the Code and shall provide to the Borrower, the Issuer and the 1989 Trustee a Rebate Report setting forth such calculations.

In the event a Rebate Report shows a positive Rebate Amount, the Borrower shall deposit into the Series One Subaccount of the 1989 Rebate Account an amount equal to such Rebate Amount.

In the event that a Rebate Report shows that the amounts on deposit in the Series One Subaccount of the 1989 Rebate Account exceed the cumulative Rebate Amount for all prior Calculation Periods, the 1989 Trustee is directed to transfer an amount equal to the amount of such excess from the Series One Subaccount of the 1989



METRO

2000 SW First Avenue
Portland, OR 97201-5398
(503) 221-1646
Fax 241-7417

May 30, 1990

The Honorable George Van Bergen
Chair, Council Finance Committee
Metropolitan Service District
2000 S. W. First Avenue
Portland, OR 97201-5398

Executive Officer
Rena Cusma

Metro Council

Tanya Collier
Presiding Officer
District 9

Gary Hansen
Deputy Presiding
Officer
District 12

Mike Ragsdale
District 1

Lawrence Bauer
District 2

Jim Gardner
District 3

Richard Devlin
District 4

Tom DeJardin
District 5

George Van Bergen
District 6

Ruth McFarland
District 7

Judy Wyers
District 8

Roger Buchanan
District 10

David Knowles
District 11

The Honorable Gary Hansen
Chair, Council Solid Waste Committee
Metropolitan Service District
2000 S. W. First Avenue
Portland, OR 97201-5398

Dear Councilors Van Bergen and Hansen:

Re: Ordinance No. 90-353

Proposed Action

Ordinance No. 90-353 would authorize the issuance of up to \$5,000,000 in District Bonds as Additional Bonds issued pursuant to Ordinance No. 89-319 and Ordinance No. 89-320 (the Riedel Oregon Compost Company, Inc. Project). Repayment of the bonds would be the sole obligation of Riedel. Metro would have no financial obligation to the bondholders.

Background and Analysis

When the Metro Council approved Ordinance No. 89-320 it authorized the sale of \$26,605,000 in District Bonds. The Bonds were issued in two series, Series A and Series B. The Series A Bonds issued were in the amount of \$25,105,000. Because the debt service (principal and interest) on the Series A Bonds is included in the Tip Fee calculations under the Composter Project Service Agreement, Metro is indirectly obligated to pay the debt service on the Series A Bonds.

The Series B Bonds issued were in the amount of \$1,500,000. The Series B Bonds were a vehicle to secure tax-exempt financing for Riedel for a portion of Riedel's equity contribution required under the Service Agreement.

The Honorable George Van Bergen
The Honorable Gary Hansen
May 30, 1990
Page 2

Repayment of the Series B Bonds is not secured by revenues derived from the Composter Project or Service Agreement and is solely Riedel's responsibility.

Since Council adoption of Ordinance No. 89-320, Riedel has needed to contribute additional equity to the Project. These contributions have reached approximately \$3,000,000. Some of these costs were known prior to the time the bond sale closed in December 1989. Riedel seeks to obtain tax free financing of this additional equity.

Ordinance No. 90-353 would authorize bonds to allow Riedel to refinance the \$1,500,000 in Series B Bonds, finance its \$3,000,000 in additional equity, and pay up to \$500,000 in necessary costs of issuing the bonds.

Repayment of the Bonds would be the sole obligation of Riedel. Metro will not be obligated to pay any of the debt service on the bonds or any of the costs of issuance. The principal provisions of Ordinance No. 90-353 which specifically reflect that Metro does not have any obligation to repay the Series One Bonds are as follows:

- | | |
|---------|--|
| Page 2 | Findings subparagraph (f); |
| Page 21 | Section 201(c) specifying the limited obligations; |
| Page 16 | Section 103(a) creating the Series One Trust Estate; |
| Page 15 | Defining the Series One Trust Estate. |

The Bonds will be backed by a Letter of Credit issued by the United States National Bank of Oregon. Pursuant to Ordinance No. 89-320, the consent of Credit Suisse (the issuer of the Letter of Credit backing the Series A and B Bonds issued in 1989) is required. Credit Suisse has agreed in principal to consent to the bond sale.

In order to obtain necessary State of Oregon approval to allow the sale of tax exempt private activity bonds, the Bond sale must close no later than June 25, 1990.

The Honorable George Van Bergen
The Honorable Gary Hansen
May 30, 1990
Page 3

Stoel Rives Boley Jones & Grey is acting as Bond Counsel for this transaction. Bond Counsel and representatives of Riedel will be present at the Solid Waste Committee meeting on June 5, 1990, and Finance Committee on June 7, 1990.

Yours very truly,



Daniel B. Cooper,
General Counsel

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Ordinance No. 90-353

The Council of the Metropolitan Service District

An ordinance enacted as a Supplemental Ordinance to Ordinance Nos. 89-319 and 89-320; establishing a plan for financing the 1989 Compost Project to serve as a part of the Metropolitan Service District's solid waste disposal system; authorizing the issuance of Additional Bonds in connection with its issuance of the 1989 Compost Project Bonds for such purpose; and establishing and determining other matters in connection therewith.

Enacted on June 14, 1990

Prepared by:

*Stoel Rives Boley Jones & Grey,
Bond Counsel*

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[Note: This Table of Contents is provided solely for the convenience of the reader and does not constitute a part of this Ordinance.]

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Metropolitan Service District
Counties of Multnomah, Clackamas and Washington
State of Oregon

Ordinance No. 90-353

An ordinance enacted as a Supplemental Ordinance to Ordinance Nos. 89-319 and 89-320; establishing a plan for financing the 1989 Compost Project to serve as a part of the Metropolitan Service District's solid waste disposal system; authorizing the issuance of Additional Bonds in connection with its issuance of the 1989 Compost Project Bonds for such purpose; and establishing and determining other matters in connection therewith.

Be it enacted by the Council of the Metropolitan Service District:

Section A. Findings. The Council (the "Council") of the Metropolitan Service District, a political subdivision organized and existing under the laws of the State of Oregon (the "Issuer"), hereby finds and determines as follows:

(a) Pursuant to and in accordance with the provisions of Oregon Revised Statutes Chapter 268 (the "Act") and related provisions of the Oregon Revised Statutes, the Issuer is responsible for and now operates a waste disposal system (as more particularly described in Ordinance No. 89-319 (the "Master Ordinance"), the "System") for the purpose of managing and disposing of waste generated within and without the Service Area (as defined in the Master Ordinance).

(b) Pursuant to the provisions of the Act (as defined in the Master Ordinance) and other applicable provisions of law, the Issuer is authorized to issue revenue bonds to finance landfills, transfer facilities, resource recovery facilities and other improvements, facilities and equipment necessary or desirable for the System regardless of whether such improvements, facilities and equipment are to be owned by the Issuer or any other person and regardless of whether such improvements, facilities or equipment are to be located within or without the jurisdictional boundaries of the Issuer.

(c) The Issuer has enacted the Master Ordinance in order to establish a plan for the financing from time to time various components and other fiscal needs of the System and authorizing the issuance of one or more series of revenue bonds for such purpose under the provisions of supplemental ordinances adopted pursuant to the Master Ordinance.

(d) In order to finance the acquisition, construction and installation of the 1989 Compost Project (as more particularly described in the 1989 Supplemental Ordinance (as defined herein)), which 1989 Compost Project is to be constructed, owned and operated by Riedel Oregon Compost Company, Inc., an Oregon corporation (the "Borrower") and used in the operation of the System, the Issuer has issued pursuant to and as authorized by the Act \$26,605,000 in aggregate principal amount of its Waste Disposal Project Revenue Bonds (Riedel Oregon Compost Company, Inc. Project), 1989 Series A and B (as herein defined, the "1989 Compost Project Bonds"), as a Series of Project Bonds under and as defined in the Master Ordinance, and enacted Ordinance No. 89-320 (the "1989 Supplemental Ordinance") to establish and determine the terms and conditions of the 1989 Compost Project Bonds, to secure the repayment of the 1989 Compost Project Bonds and to set forth, establish and determine other matters relevant to the 1989 Compost Project Bonds.

(e) In order to finance certain costs necessary for completion of the 1989 Compost Project, which costs were unanticipated at the time of issuance of the 1989 Compost Project Bonds, the refunding of the Series B Bonds and certain Costs of Issuance and other reasonably related costs, the Issuer has determined to issue pursuant to and as authorized by the Act not to exceed \$5,000,000 in aggregate principal amount of its Waste Disposal Project Revenue Bonds (Riedel Oregon Compost Company, Inc. Project) 1990 Series One (the "Series One Bonds"), which are expressly designated as comprising a part of the Series B Bonds and which, together with the Series A Bonds, constitute the 1989 Compost Project Bonds, a single Series of Project Bonds under and as defined in the Master Ordinance, and is enacting pursuant to, in accordance with and as a supplement of the 1989 Supplemental Ordinance this Ordinance No. 90-353 (the "Series One Supplemental Ordinance") to establish and determine the terms and conditions of the Series One Bonds, to secure the repayment of the Series One Bonds and to set forth, establish and determine other matters relevant to the Series One Bonds.

(f) The Series One Bonds are limited obligations of the Issuer, payable solely and only out of the Series One Trust Estate (as defined herein), and no recourse shall be had against any properties, funds or assets of the Issuer (other than the Series One Trust Estate) for the payment of any amounts owing under or with respect to the Series One Bonds or this Series One Supplemental Ordinance. The Series One Trust Estate includes the Series One Loan Repayments (as defined herein) and the right to payments under the Series One Credit Facility (as defined herein), and the Issuer has no responsibility for the performance of the obligations to make Series One Loan Repayments or to reimburse payments made under the Series One Credit Facility.

(g) Pursuant to the Series One Loan Agreement (as defined herein), the Issuer will use the proceeds of the Series One Bonds to make the Series One Loan (as defined herein) to the Borrower in order to: (i) finance certain unanticipated costs of completing the acquisition, construction, installation and equipping of the 1989 Compost Project; (ii) refund the Series B Bonds; (iii) pay certain Costs of Issuance incurred in connection with the Series One Bonds; and (iv) pay a portion of the capitalized interest to become due on the Series One Bonds.

(h) Pursuant to the Amended and Restated Intercreditor Agreement, the Borrower, the Issuer, the 1989 Trustee, the Series One Credit Provider and the 1989 Credit Provider have agreed that the Borrower's obligations to make Series One Loan Repayments under the Series One Loan Agreement in respect of the Series One Bonds shall be subordinate to, among other things, the Borrower's obligations to make Series A Loan Repayments under the 1989 Loan Agreement (which subordination shall in no way render moneys drawn under the Series One Credit Facility subordinate to Series A Loan Repayments), and consequently, sufficient funds may be unavailable for purposes of making Series One Loan Repayments. Notwithstanding any such insufficiency, the Owners of the Series One Bonds and the 1989 Trustee may not, as more particularly set forth in Section 701(c) of this Series One

Supplemental Ordinance, and the Series One Credit Provider agrees in the Amended and Restated Intercreditor Agreement not to, commence, bring, maintain, joined or otherwise participate (except as a named defendant) in any action or proceeding against the Borrower or its properties or revenues by reason of the occurrence of any Series One Event of Default so long as the 1989 Credit Facility remains in effect or any amounts remain outstanding under the 1989 Credit Agreement, and the Borrower agrees to waive and/or extend all statute of limitations applicable to any such claims throughout this period.

(i) The Borrower has arranged for United States National Bank of Oregon, a bank organized and existing under the laws of the United States of America (as more particularly defined herein, the "Series One Credit Provider"), to issue in favor of the 1989 Trustee (as herein defined) the Series One Credit Facility as security for the payment when due of the principal of, premium (if any) and interest on the Series One Bonds and as security for the payment when due of the Purchase Price (as defined herein) of any Series One Bonds required to be purchased as provided in this Series One Supplemental Ordinance. The restrictions on actions against the Borrower described in the preceding paragraph shall in no way preclude the 1989 Trustee from exercising its rights and remedies against the Series One Credit Provider to honor a conforming draw under the Series One Credit Facility.

ARTICLE I

DEFINITIONS AND GRANTING CLAUSES

Section 101. Terms Defined in Master Ordinance; Conflicting Definitions. All terms used herein and not otherwise defined herein shall have the same meanings assigned thereto in the Master Ordinance and the 1989 Supplemental Ordinance; *provided that* in the event of any conflict between the definition of a term as set forth in the Master Ordinance and the definition of the same term as set forth in the 1989 Supplemental Ordinance or in this Series One Supplemental Ordinance, the definition of such term as set forth in this Series One Supplemental Ordinance (if such term is defined herein) or in the 1989 Supplemental Ordinance (if such term is not defined in this Series One Supplemental Ordinance) shall govern and control for all purposes of this Series One Supplemental Ordinance and the Series One Bonds; *and further provided that* in the event of any conflict between the definition of a term as set forth in the 1989 Supplemental Ordinance and this Series One Supplemental Ordinance, the definition of such term as set forth in this Series One Supplemental Ordinance shall govern and control for all purposes of this Series One Supplemental Ordinance and the Series One Bonds.

Section 102. Definitions. As used in this Series One Supplemental Ordinance, the following terms shall have the respective meanings set forth below:

"Account" or "Accounts" shall mean one or more of the special trust accounts created and established pursuant to the 1989 Supplemental Ordinance or this Series One Supplemental Ordinance.

"Act of Bankruptcy" means: (a) the filing of a petition in bankruptcy by or against the Borrower or the Series One Credit Provider under the Federal Bankruptcy Code or under any similar act which may be hereafter enacted or, in the case of the Series One Credit Provider, under any similar laws of any nation having jurisdiction, unless within 90 days (in the case of a petition in bankruptcy against the Borrower or the Series One Credit Provider) such petition shall have been dismissed and such dismissal shall be final and not subject to appeal; or (b) the making by the Borrower or the Series One Credit Provider of an assignment for the benefit of creditors.

"Additional Bonds" means 1989 Compost Project Bonds issued pursuant to and in accordance with Section 210 of the 1989 Supplemental Ordinance.

"Affiliate" when used with respect to the Borrower, shall mean a person:

(i) who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Borrower; or

(ii) who directly or indirectly through one or more intermediaries beneficially owns or holds 5% or more of the voting stock (or in the case of an entity which is not a corporation, 5% or more of the equity interest) of the Borrower; or

(iii) 5% or more of the voting stock (or in the case of an entity which is not a corporation, 5% or more of the equity interest) of which is beneficially owned or held by the Borrower;

it being understood that for purposes of the foregoing provisions:

(A) the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through ownership of voting stock or otherwise; and

(B) the term "voting stock" means securities of any class or classes of a corporation, the holders of which are entitled, in the absence of contingencies, to elect a majority of the corporate directors or persons performing similar functions.

"Alternate Credit Facility" means a standby bond purchase contract, letter of credit, bond insurance policy, surety bond, line of credit, third-party collateral agreement or guarantee or other credit enhancement device or combination thereof given or provided to or in favor of the 1989 Trustee pursuant to Section 604 of this Series One Supplemental Ordinance as security for (a) the payment of all or any portion of the principal of or interest on all or any of the Series One Bonds, or (b) the payment or performance of any other obligations under or with respect to all or any of the Series One Bonds.

"Amended and Restated Intercreditor Agreement" shall mean the Amended and Restated Intercreditor Agreement dated as of June 1, 1990 among the 1989 Credit Provider, the Series One Credit Provider, the 1989 Trustee and the Issuer and consented to by the Borrower.

"Authorized Denominations" means: (i) during any period in which the Series One Bonds bear interest at a Weekly, Monthly or Commercial Paper Rate, \$100,000 or any integral multiple of \$5,000 in excess of \$100,000; and (ii) during any period in which the Series One Bonds bear interest at a Semi-annual, Extended or Fixed Rate, \$5,000 and any integral multiples thereof; *provided that* notwithstanding the foregoing, a single Series One Bond may be issued in a denomination other than as provided in (i) and (ii) above in order to take account of the issuance of the Series One Bonds in an aggregate principal amount which is not an integral multiple of \$5,000 or \$100,000.

"Authorized Issuer Representative" shall mean the Executive Officer of the Issuer or any person designated by the Executive Officer in writing to act on behalf of such Executive Officer for purposes of this Series One Supplemental Ordinance.

"Beneficial Owners" shall mean, whenever used with respect to a Series One Bond, the person or entity in whose name such Series One Bond is recorded as the beneficial owner of such Series One Bond by a

Participant on the records of such Participant pursuant to the arrangements for book-entry determination of ownership applicable to the Securities Depository.

"Bond Counsel" shall mean Stoel Rives Boley Jones & Grey, or an attorney or firm of attorneys of recognized national standing in the field of law relating to municipal bonds selected by the Issuer.

"Bond Year" means, with respect to particular Series One Bonds which constitute a single "issue" of Bonds within the meaning of Section 148(f) of the Code, each one year period commencing on: (i) the date of issuance and delivery of the bonds of such issue; or (ii) such other date as the Issuer may elect with respect to such issue of bonds in accordance with the application provisions of Section 148(f) of the Code and the regulations thereunder.

"Book-Entry System" shall mean that system whereby the clearance and settlement of securities transactions is made through electronic book-entry changes, thereby eliminating the need of physical movement of securities.

"Borrower" shall mean Riedel Oregon Compost Company, Inc., an Oregon corporation, and (but only to the extent permitted under the express terms of this Series One Supplemental Ordinance, the 1989 Supplemental Ordinance, the Series One Loan Agreement, the 1989 Loan Agreement, the Service Agreement, and the 1989 Credit Agreement) its lawful successors and assigns.

"Business Day" or "business day" means any day on which (i) banks located in any of the cities in which the principal office of the 1989 Trustee, the Series One Remarketing Agent, the Series One Paying Agent, the Series One Tender Agent or the Series One Credit Provider is located are not required or authorized to remain closed and (ii) the New York Stock Exchange is not closed.

"Calculation Period" means the period elected by the Issuer in accordance with and pursuant to the regulations promulgated pursuant to Section 148(f) of the Code (or any successor thereto) for calculating the Rebate Amount with respect to the Series One Bonds.

"Capital Costs" shall mean and include all costs of acquisition, construction, reconstruction, improvement, betterment or extension of the 1989 Compost Project or any part thereof, including, without limitation, the costs of:

(a) any demolitions or relocations necessary in connection with the acquisition, construction, reconstruction, improvement, betterment and extension of the 1989 Compost Project and any renewals, replacements, alterations, improvements, additions, machinery and equipment, facilities, paving, grading, excavation, blasting or removals deemed by the Borrower to be necessary or useful or convenient in connection therewith;

(b) obligations incurred for labor and materials and payments made to contractors, builders and materialmen in connection with the acquisition, construction, reconstruction, improvement, betterment and extension of the 1989 Compost Project, and for the restoration of property damaged or destroyed in connection therewith;

(c) fees and expenses of the 1989 Trustee during construction, the cost of surety bonds to secure moneys in the 1989 Construction Account, payments, taxes or other governmental charges lawfully levied or assessed during construction or on any property acquired, and premiums on insurance (if any) during such construction or acquisition or reimbursement to the appropriate person for such premium payments;

(d) fees and expenses for studies, surveys and reports, engineering, borings, testings, estimates of costs and revenues, preparation of plans and specifications and inspecting or supervising construction or acquisition, as well as for the performance of all other duties of engineers or architects in connection with the acquisition, construction, reconstruction, improvement, betterment or extension of the 1989 Compost Project or required by the 1989 Supplemental Ordinance;

(e) expenses of administration properly chargeable to the acquisition, construction, reconstruction, improvement, betterment or extension of the 1989 Compost Project, including legal expenses and fees, financing charges, costs of audits and fiscal advice, the fees and expenses of any Fiduciary for the 1989 Compost Project Bonds or Additional Bonds and other similar administrative costs incurred during the construction period in connection with the 1989 Compost Project Bonds or Additional Bonds but only to the extent such fees, expenses and costs have been capitalized, and all other items of expense not elsewhere in this definition specified, incident to the acquisition, construction, reconstruction, improvement, betterment or extension of the 1989 Compost Project, including the acquisition of real estate, franchises and rights-of-way therefor, and abstracts of title and title insurance;

(f) the cost and expense of acquiring by purchase or condemnation or by leasing such property, lands, rights-of-way, franchises, easements, and other interests in land as may be deemed necessary or convenient for the acquisition, construction, reconstruction, improvement, betterment or extension of any part of the 1989 Compost Project, and options and partial payments thereon, and the amount of any damages incident to or consequent upon the same;

(g) any obligation or expense heretofore or hereafter expended or incurred by the Borrower or any other person and any amounts heretofore or hereafter advanced by the Borrower or any other person for any of the foregoing purposes;

(h) any Costs of Issuance incurred in connection with the 1989 Compost Project Bonds; and

(i) interest on the 1989 Compost Project Bonds during the period of construction, installation, acquisition and testing of a Project.

"Cede & Co." shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the 1989 Compost Project Bonds.

"Closing Date" means the date on which the Series One Bonds are first issued, sold and delivered.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"Commercial Paper Rate" means, when used with respect to any particular Series One Bond bearing interest in a Commercial Paper Rate Period, the interest rate determined for each Commercial Paper Rate Period applicable thereto pursuant to Section 206(f) hereof.

"Conversion Date" means: (i) when used with respect to a Fixed Rate, the date on which a Fixed Rate becomes effective with respect to the affected Series One Bonds pursuant to Section 208 hereof; and (ii) when used with respect to any particular Variable Rate Period or Commercial Paper Rate Period, the first date on which a Rate Period of that type becomes effective with respect to the affected Series One Bonds pursuant to Section 207 hereof, which first date immediately follows the last day of a Rate Period of a different type for the affected Series One Bonds.

"Costs of Issuance" shall mean all costs necessary or attributable to the issuance of any Series One Bonds which are not Capital Costs described in subparts (a) through (g) and (i) of the definition of "Capital Costs" set forth above, and which include, but are not limited to, legal fees and expenses, fees and expenses of any consulting engineer and financial advisors, cost of audits, advertising and printing expenses, fees and expenses of the Fiduciaries, costs of Series One Bond ratings, the initial fees, expenses and other amounts payable to any indexing agent, depository, remarketing agent, tender agent or any other person whose services are required with respect to the issuance of any Series One Bonds, discounts to the underwriter(s) or other purchasers of the Series One Bonds incurred in the issuance and sale of the Series One Bonds, and (to the extent not treated as interest under the Code) the fees and expenses incurred in connection with the Series One Credit Facility, including the fees and expenses of counsel to the Series One Credit Provider.

"Credit Purchased Bond" means any Series One Bond during any period in which such Series One Bond is owned by or held on behalf of the Series One Credit Provider as a result of such Series One Bond having been purchased pursuant to Article III hereof from the proceeds of a draw under the Series One Credit Facility, regardless of whether such Series One Bond is actually registered in the name of or delivered to the Series One Credit Provider or its agent or its designee.

"Delivery Office" means the office of the Series One Tender Agent which the Series One Tender Agent shall specify in writing to the Issuer, the Borrower, the 1989 Trustee, the Series One Credit Provider and the Series One Remarketing Agent as being the place for delivering Series One Bonds for purchase pursuant to Article III hereof, the initial Delivery Office of the initial Series One Tender Agent being, First Interstate Bank of Oregon, N.A., Corporate Financial Services T-10, 1300 S.W. Fifth Avenue, Portland, Oregon 97201. During any period in which the Series One Bonds are not subject to the Book-Entry System, the Delivery Office shall be in New York, New York.

"DTC" shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"Event of Default" shall mean a Series One Event of Default as defined in Section 701 hereof.

"Excess Earnings" means the amount of investment earnings derived from the investment of the "proceeds" of the Series One Bonds or any moneys deemed to be "proceeds" of the Series One Bonds of such issue (all within the meaning of the Code), including but not limited to moneys on deposit from time to time in any Account or subaccount established with respect to such issue of Series One Bonds (whether or not formally established as an Account hereunder and regardless of the person who may hold the moneys therein) containing any moneys which, in accordance with the applicable provisions of the Code, constitute "proceeds" of such issue of Series One Bonds for purposes of Section 148 of the Code, to the extent that such investment earnings exceed the amount that would have been earned on such moneys had such moneys been invested at a yield equal to the yield on such issue of Series One Bonds (with the yield on such issue of Series One Bonds being determined in accordance with the provisions of Section 148(f) of the Code); *provided that* the investment earnings on amounts on deposit from time to time in the Series One Subaccount of the 1989 Debt Service Account shall not be taken into account to the extent that the gross investment earnings on such account for the Bond Year are less than \$100,000, all within the meaning of and as contemplated by Code Section 148(f)(4)(A)(ii); it being the intent of this definition that "Excess Earnings" shall be calculated so that the Rebate Amount is determined in accordance with the requirements of Section 148(f) of the Code.

"Executive Officer" shall mean the duly elected or appointed, qualified and acting Executive Officer of the Issuer, or any officer of the Issuer hereafter succeeding to the powers and duties of such Executive Officer with respect to the System.

"Extended Rate" means the interest rate to be determined for the affected Series One Bonds pursuant to Section 206(e) hereof.

"Facility" shall have the meaning assigned thereto in the Service Agreement.

"Final Computation Date" shall mean "final computation date" as such phrase is used in the regulations promulgated pursuant to Section 148(f) of the Code (or any successor thereto).

"Fixed Rate" or "Fixed Rates" means the interest rate to be determined for the affected Series One Bonds pursuant to Section 208(d) hereof.

"Fixed Rate Period" means the period of time during which the affected Series One Bonds bear interest at a Fixed Rate.

"Government Obligations" means direct general obligations of the United States of America or any agency or instrumentality thereof, but not including any shares or interests in a mutual fund or similar fund which invests in direct obligations of the United States of America or any agency or instrumentality thereof.

"Inducement Date" means September 22, 1987, on which date a resolution of intent or inducement to assist in the financing of the 1989 Compost Project was adopted by the Issuer.

"Initial Interest Rate" shall mean the rate to be applicable to the Series One Bonds during the Initial Interest Rate Period (if any) as determined by the Executive Officer pursuant to Section 1011 hereof.

"Initial Interest Rate Period" shall mean the period, if any, determined by the Executive Officer pursuant to Section 1011 hereof.

"Installment Computation Date" shall mean "installment computation date" as such phrase is used in the regulations promulgated pursuant to Section 148(f) of the Code (or any successor thereto).

"Interest Payment Date" shall mean:

(i) for the Series One Bonds bearing interest at the Weekly or Monthly Rate, the first Business Day of each calendar month;

(ii) for the Series One Bonds bearing interest at the Semiannual or Extended Rate, the first Business Day of the sixth month following the Semiannual or Extended Rate Conversion Date and subsequently on the first Business Day of each sixth calendar month thereafter;

(iii) for the Series One Bonds bearing interest at a Commercial Paper Rate, the first Business Day immediately following the last day of each Commercial Paper Rate Period applicable thereto;

(iv) for the Series One Bonds bearing interest at a Fixed Rate or Rates, the first day of each November and May;

(v) for the Series One Bonds which are subject to mandatory tender pursuant to Sections 303, 304 or 305 hereof, the date of the mandatory tender (regardless of whether an Owner elects to retain its Series One Bonds on such date);

(vi) with respect to the payment of interest accruing on the Series One Bonds during the Initial Interest Rate Period, the Business Day following the last day of such Initial Period; and

(vii) the date upon which any payments of principal are due with respect to any Series One Bonds by reason of the maturity thereof or redemption prior to maturity.

"Investment Securities" shall mean and include any of the following securities:

(i) Government Obligations;

(ii) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; senior debt obligations of the Federal Home Loan Banks; debentures of the Federal Housing Administration; guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Association; guaranteed Title XI financing of the U.S. Maritime Administration; mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association; and participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation (collectively, "Agency Obligations");

(iii) direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured general obligation debt is rated "A3" or better by Moody's and "A-" or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is rated "A3" or better by Moody's and "A-" or better by S&P;

(iv) commercial paper rated "Prime-1" by Moody's and "A-1" or better by S&P;

(v) obligations rated "A3" or better by Moody's and "A-" or better by S&P;

(vi) deposits, Federal funds or bankers acceptances of any domestic bank, including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are obtained by the Borrower and provided to the 1989 Trustee to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which:

(a) has an unsecured, uninsured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's and "A-1" or "A-" or better by S&P, or

(b) is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting the rating requirements in (a) above;

(vii) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3 million, provided such deposits are fully insured by the Federal Deposit Insurance Corporation;

(viii) investments in a money-market fund rated "Am" or "Am-G" or better by S&P;

(ix) repurchase agreements with a term of one year or less with any institution with debt rated "AA" or commercial paper rated "A-1" (in each case by S&P);

(x) repurchase agreements collateralized by direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America or Agency obligations with any registered broker/dealer subject to the Securities

Investors' Protection Corporation jurisdiction or any commercial bank if such broker/ dealer or bank has an unsecured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's and "A-1" or "A-" or better by S&P; provided:

(a) a master repurchase agreement or specific written, repurchase agreement governs the transaction; and

(b) the securities are held free and clear of any lien by the 1989 Trustee or an independent third party acting solely as agent for the 1989 Trustee, and such third party is:

(1) a Federal Reserve Bank;

(2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million; or

(3) a bank approved in writing for such purpose by the Series One Credit Provider and the 1989 Credit Provider, and the 1989 Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the 1989 Trustee; and

(c) a perfected first security interest under the Uniform Commercial Code or book entry procedures prescribed at 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* in such securities is created for the benefit of the 1989 Trustee; and

(d) the repurchase agreement has a term of thirty days or less, or the 1989 Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

(e) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to an Interest Payment Date, and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 100%;

(xi) investment agreements with a bank or insurance company which has an unsecured, unsecured and unguaranteed obligation (or claims-paying ability) rated "A3" or better by Moody's and "A" or better by S&P or is the lead bank of a parent bank holding company with an unsecured, unsecured and unguaranteed obligation meeting such rating requirements, provided:

(a) moneys invested thereunder may be withdrawn without any penalty, premium, or charge upon reasonable notice (provided such notice may be amended or canceled at any time prior to the withdrawal date), and

(b) the agreement is not subordinated to any other obligations of such insurance company or bank, and

(c) the 1989 Trustee receives from the Borrower an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank; and

(xii) any Tax-Exempt Obligations (as defined in the Master Ordinance) which are rated in any of the 3 highest categories by Moody's or S&P.

"Master Ordinance" means Ordinance No. 89-319 enacted by the Issuer on November 21, 1989, as the same may be amended and supplemented from time to time in accordance with its terms.

"Master Project Account" shall mean the Account by that name established pursuant to Section 502 of the Master Ordinance.

"Maturity" when used with respect to any Series One Bond means the date on which the principal of such Series One Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration or call for redemption or otherwise.

"Maximum Rate" means: (i) 12% *per annum*; or (ii) such other rate for particular Series One Bonds as may hereafter be specified in writing to the 1989 Trustee by the Authorized Issuer Representative; *provided that* anything expressed or implied herein to the contrary, so long as a Series One Credit Facility is in effect with respect to any Series One Bonds, the "Maximum Rate" for the Series One Bonds secured by such Series One Credit Facility shall not be in excess of the rate of interest used under such Series One Credit Facility for the purpose of calculating the maximum amount that may be drawn thereunder for the purpose of paying interest on such Series One Bonds.

"Minimum Variable Rate" shall mean, as the context requires, the minimum Monthly Rate, minimum Semiannual Rate, or minimum Extended Rate established for any Monthly, Semiannual or Extended Rate Period pursuant to Section 206 hereof.

"Monthly Rate" shall mean the interest rate to be determined for the Series One Bonds on a monthly basis pursuant to Section 206(c) hereof.

"1989 Compost Project Bonds" means, collectively, the Series A Bonds and the Series B Bonds, including the Series One Bonds issued as Additional Bonds pursuant to this Series One Supplemental Ordinance and comprising a part of the Series B Bonds.

"1989 Compost Project" means the Facility and the Facility Site, both as defined and described in the Service Agreement.

"1989 Construction Account" means the subaccount of the Master Project Account established with the 1989 Trustee pursuant to Section 401 of the 1989 Supplemental Ordinance.

"1989 Credit Agreement" means: (i) so long as the 1989 Credit Facility issued in favor of the 1989 Trustee on the date of original issuance of the 1989 Compost Project Bonds remains in full force and effect and the issuer thereof has not failed or refused to honor a proper demand for payment thereunder, the agreement, as may be amended from time to time, pursuant to which Credit Suisse, a bank organized and existing under the laws of Switzerland, acting through its New York Branch, issued its irrevocable letter of credit in favor of the 1989 Trustee, including any extensions, renewals or replacements thereof issued by said bank; and (ii) from and after the acceptance by the 1989 Trustee and the effectiveness of any Alternate Credit Facility meeting the requirements of this 1989 Supplemental Ordinance, the agreement pursuant to which such Alternate Credit Facility, including any extensions, renewals or replacements thereof issued by the issuer thereof.

"1989 Debt Service Account" means the subaccount of the Master Project Account established with the 1989 Trustee pursuant to Section 401 of the 1989 Supplemental Ordinance.

"1989 Equity Account" shall mean the special subaccount of the 1989 Construction Account established with the 1989 Trustee pursuant to Section 401 of the 1989 Supplemental Ordinance.

"1989 Loan Agreement" means the Loan Agreement dated as of November 1, 1989 between the Issuer and the Borrower pursuant to which the Issuer agreed to loan the proceeds of its \$26,605,000 Waste Disposal Project Revenue Bonds (Riedel Oregon Compost Company, Inc. Project)1989 Series A and B to the Borrower, and any amendments thereto.

"1989 Rebate Account" means the account by that name established with the 1989 Trustee pursuant to Section 401 of the 1989 Supplemental Ordinance.

"1989 Supplemental Ordinance" shall mean Ordinance No. 89-320, enacted by the Issuer on November 21, 1989, as the same may be amended, modified or supplemented in accordance with its terms, including this Series One Supplemental Ordinance.

"1989 Trustee" means First Interstate Bank of Oregon, N.A., a national banking association, and any successor thereto appointed as provided in the 1989 Supplemental Ordinance.

"Opinion of Bond Counsel" shall mean an opinion of Bond Counsel acceptable to the Issuer, addressed to the Issuer, the Series One Credit Provider, the 1989 Credit Provider and the 1989 Trustee, to the effect that the action proposed to be taken is authorized or permitted by this Series One Supplemental Ordinance and will not adversely affect the excludability for federal income tax purposes of the interest on any Series One Bonds issued as, and which at the time of rendition of such opinion still are, Tax-Exempt Obligations (as defined in the Master Ordinance).

"Outstanding" or "Outstanding Series One Bonds" or "Series One Bonds Outstanding" or "Series One Bonds at the Time Outstanding" or "Series One Bonds then Outstanding," at the time in question, shall mean with respect to Series One Bonds all Series One Bonds which have been executed and delivered by the Issuer and authenticated by the 1989 Trustee or an agent of the 1989 Trustee under this Ordinance, except:

(i) Series One Bonds theretofore cancelled by the 1989 Trustee or surrendered to the 1989 Trustee for cancellation;

(ii) Series One Bonds paid or deemed to be paid pursuant to Section 1001 hereof; *provided that* if such Series One Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Section 1001 hereof or irrevocable instructions shall have been given to the 1989 Trustee by the Issuer for the giving of such notice; and

(iii) Series One Bonds in lieu of or in exchange for which other Series One Bonds shall have been executed and delivered by the Issuer and authenticated by the 1989 Trustee or an agent of the 1989 Trustee pursuant to the provisions hereof.

"Owner" shall mean any person who shall be the registered owner of any Series One Bond as shown by the registration books maintained by the Series One Bond Registrar.

"Participant" shall mean a broker-dealer, bank or other financial institution for which DTC holds Series One Bonds as Securities Depository.

"Permitted Investments" shall mean those Investment Securities in which, under the applicable laws of the State of Oregon, the Issuer is permitted to invest its funds, such Investment Securities currently being listed in ORS 294.035.

"Purchase Contract" means that certain Contract of Purchase between the Issuer and the Underwriter with respect to the initial purchase of the Series One Bonds.

"Purchase Date", when used with respect to any Series One Bond, means the date upon which the Series One Tender Agent is obligated to purchase such Series One Bond pursuant to Article III hereof.

"Purchase Price" of any Series One Bond required to be purchased by the Series One Tender Agent pursuant to Article III hereof means an amount equal to the principal amount of such Series One Bond plus accrued interest thereon if the Purchase Date is other than an Interest Payment Date at the rate(s) applicable to Series One Bonds from the most recent Interest Payment Date to the Purchase Date.

"Qualifying Costs" means Capital Costs of the 1989 Compost Project which: (i) are paid and incurred after the Inducement Date; (ii) are properly chargeable to the 1989 Compost Project's capital account or would be so chargeable either with a proper election by the Borrower or but for a proper election by the Borrower to deduct such amounts; and (iii) are for "solid waste disposal facilities"; all within the meaning of and as contemplated by Section 142 of the Code.

"Rate Period" or "Period" means, when used with respect to any particular rate of interest applicable to the Series One Bonds (whether a Weekly, Monthly, Semiannual, Extended, Commercial Paper or Fixed Rate), the period during which such rate of interest for the affected Series One Bonds will remain in effect pursuant to Article II hereof.

"Rating Agencies" shall mean Standard & Poor's Corporation and/or Moody's Investors Service, according to which of such rating agencies then rates the Series One Bonds; and provided that if neither of such rating agencies then rates the Series One Bonds, the term "Rating Agencies" shall refer to any national rating agency (if any) which provides such rating.

"Rebate Amount" means the sum of the Excess Earnings plus all investment earnings on such Excess Earnings; it being the intent of this definition that the Rebate Amount shall be calculated in accordance with the requirements of Section 148 of the Code.

"Rebate Analyst" means the person or firm retained by the Issuer from time to time for the purpose of preparing the Rebate Reports required pursuant to Section 406 hereof.

"Rebate Report" means a report for each Calculation Period prepared by the Rebate Analyst pursuant to Section 406 hereof calculating the Rebate Amount, all for the purpose of enabling the 1989 Trustee to comply with the requirements of Section 406 hereof and Section 148 of the Code.

"Record Date" for the interest payable on any Interest Payment Date on the Series One Bonds means the fifth Business Day immediately preceding the Interest Payment Date in question in the case of the Weekly, Monthly and Commercial Paper Rate Periods and means the 15th day of the immediately preceding calendar month (whether or not a Business Day) in the case of a Semiannual, Extended and Fixed Rate Period.

"Requisition Certificate" means a certificate in the form set forth as Exhibit B to the Series One Loan Agreement.

"Securities Depository" shall mean, initially, The Depository Trust Company, New York, New York, and its successors and replacement securities depository appointed hereunder.

"Semiannual Rate" shall mean the interest rate to be determined for the Series One Bonds pursuant to Section 206(d) hereof.

"Series B Refunding Account" means the special account by that name established pursuant to Section 401 hereof.

"Series One Bond Registrar" means the 1989 Trustee.

"Series One Bonds" means the Issuer's Waste Disposal Project Revenue Bonds (Riedel Oregon Compost Company, Inc. Project) 1990 Series One.

"Series One Borrower Granted Trust Estate" shall have the meaning assigned thereto in Section 103(a)(ii) hereof.

"Series One Credit Agreement" means: (i) so long as the Series One Credit Facility issued in favor of the 1989 Trustee on the date of original issuance of the Series One Bonds remains in full force and effect and the issuer thereof has not failed or refused to honor a proper demand for payment thereunder, the agreement pursuant to which United States National Bank of Oregon, a bank organized and existing under the laws of the United States of America, issues its irrevocable letter of credit in favor of the 1989 Trustee, including any extensions, renewals or replacements thereof issued by said bank; and (ii) from and after the acceptance by the 1989 Trustee and the effectiveness of any Alternate Credit Facility meeting the requirements of this Series One Supplemental Ordinance, the agreement pursuant to which such Alternate Credit Facility, including any extensions, renewals or replacements thereof issued by the issuer thereof.

"Series One Credit Facility" means:

(i) so long as the Series One Facility issued in favor of the 1989 Trustee on the date of original issuance of the Series One Bonds remains in full force and effect and the issuer thereof has not failed or refused to honor a proper demand for payment thereunder, the irrevocable letter of credit issued by United States National Bank of Oregon, a bank organized and existing under the laws of the United States of America, in favor of the 1989 Trustee as security for the Series One Bonds; and

(ii) from and after the acceptance by the 1989 Trustee and the effectiveness of any Alternate Credit Facility in substitution for the Series One Credit Facility, the issuer of such Alternate Credit Facility.

"Series One Credit Provider" means:

(i) so long as the Series One Credit Facility issued in favor of the 1989 Trustee on the date of original issuance of the Series One Bonds remains in full force and effect and the issuer thereof has not failed or refused to honor a proper demand for payment thereunder, United States National Bank of Oregon, a bank organized and existing under the laws of the United States of America; and

(ii) from and after the acceptance by the 1989 Trustee and the effectiveness of any Alternate Credit Facility meeting the requirements of this Series One Supplemental Ordinance and given in substitution for the then existing Series One Credit Facility, the issuer of such Alternate Credit Facility.

"Series One Event of Default" shall mean the occurrence of any one or more of the events described in Section 701 hereof.

"Series One Issuer Granted Trust Estate" shall have the meaning assigned thereto in Section 103(a)(i) hereof.

"Series One Loan" shall mean the loan to be made by the Issuer to the Borrower under the Series One Loan Agreement out of the proceeds of the Series One Bonds.

"Series One Loan Agreement" means the Loan Agreement dated as of June 1, 1990 between the Issuer and the Borrower pursuant to which the Issuer agrees to loan the proceeds of the Series One Bonds to the Borrower, as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms of this Series One Supplemental Ordinance.

"Series One Loan Repayments" shall mean the Series One Loan Repayments required to be made by the Borrower with respect to the Series One Loan.

"Series One Paying Agent" means any person appointed as such pursuant to this Series One Supplemental Ordinance, initially, First Interstate Bank of Oregon, N.A.

"Series One Remarketing Agent" means any person appointed as such pursuant to this Series One Supplemental Ordinance, initially, Donaldson, Lufkin & Jenrette Securities Corporation.

"Series One Remarketing Agreement" means the agreement pursuant to which the Series One Remarketing Agent assumes its duties hereunder and thereunder.

"Series One Subaccount of the 1989 Construction Account" means the subaccount of the 1989 Construction Account established with the 1989 Trustee pursuant to Section 401 hereof.

"Series One Subaccount of the 1989 Debt Service Account" means the subaccount of the 1989 Debt Service Account established with the 1989 Trustee pursuant to Section 401 hereof.

"Series One Subaccount of the 1989 Rebate Account" means the subaccount of the 1989 Rebate Account established with the 1989 Trustee pursuant to Section 401 hereof.

"Series One Supplemental Ordinance" shall mean this Ordinance No. 90-353, enacted by the Issuer on June 14, 1990, as the same may be amended, modified or supplemented in accordance with its terms.

"Series One Tender Agent" means with respect to the Series One Bonds bearing interest at the Weekly Rate or the Monthly Rate, the 1989 Trustee, and with respect to the Series One Bonds bearing interest at any other Variable Rate or the Commercial Paper Rate, the person acting as such and accepting in writing the appointment by the Issuer to act in such capacity as provided in Section 511 hereof.

"Series One Trust Estate" means: (i) the Series One Loan Repayments; (ii) the moneys drawn under the Series One Credit Facility to the extent such moneys are available for the purpose of paying amounts owing under or with respect to the Series One Bonds; and (iii) all other properties and assets and interests in properties and assets described in Section 103(a) hereof.

"State" shall mean the State of Oregon.

"Stated Maturity" means the date upon which all amounts owing under a Series One Bond are due and payable in full as shown upon the face of such Series One Bond.

"Supplemental Ordinance" shall mean any ordinance supplemental to or amendatory of this Series One Supplemental Ordinance, entered into by the Issuer in accordance with this Series One Supplemental Ordinance, the 1989 Supplemental Ordinance and the Master Ordinance.

"Underwriter" means Donaldson, Lufkin & Jenrette Securities Corporation and any other investment banking firm(s) as the Issuer shall approve as the underwriter(s) of the Series One Bonds in connection with the initial offering and sale thereof.

"Variable Rate" means, as the context requires, the Weekly, Monthly, Semiannual or Extended Rate applicable to the Series One Bonds.

"Weekly Rate" shall mean the interest rate to be determined for the Series One Bonds on a weekly basis pursuant to Section 206(b) hereof.

"Wire Transfer" shall mean any method of transferring or paying moneys now in use or hereafter devised which does not involve the physical delivery of cash, checks or bank drafts.

Section 103. Granting Clauses.

(a) The Series One Trust Estate.

(i) The Series One Issuer Granted Trust Estate. As used herein, the term "Series One Issuer Granted Trust Estate" shall mean and include the following properties and assets and interests in properties and assets:

(A) the Issuer's right, title and interest to and in the Series One Loan Agreement and all Series One Loan Repayments due thereunder, but not including the Issuer's rights under Sections 7.2 and 7.4 of the Series One Loan Agreement and the Issuer's right to receive notices and give approvals under the Series One Loan Agreement;

(B) the Issuer's right, title and interest to and in any and all other funds, moneys and property of any kind held for defeasance of the Series One Bonds or from time to time hereafter specifically pledged as additional security for the Series One Bonds by the Issuer or any other person or delivered to the 1989 Trustee; and

(C) the Issuer's right, title and interest to, in and under the Series One Credit Facility and all moneys drawn thereunder and the account described in Section 602(c) in which such moneys are placed.

(ii) The Series One Borrower Granted Trust Estate. As used herein, the term "Series One Borrower Granted Trust Estate" shall mean the following:

(A) the right, title and interest of the Borrower to and in any and all funds, moneys and property of any kind held for defeasance of the Series One Bonds or from time to time hereafter specifically pledged as additional security for the Series One Bonds by the Issuer or any other person or delivered to the 1989 Trustee; and

(B) the Borrower's right, title and interest to, in and under the Series One Credit Facility and all moneys drawn thereunder and the account described in Section 602(c) in which such moneys are placed.

(b) The Series One Bonds. The Issuer, in consideration of the premises, the acceptance by the 1989 Trustee of the trusts hereby created, the mutual covenants herein contained, the purchase and acceptance of the Series One Bonds by the purchasers thereof and other valuable consideration, receipt of which is hereby acknowledged, and in order to secure the payment when due of:

- (i) the principal of, premium (if any) and interest on the Series One Bonds;
- (ii) the Purchase Price of any Series One Bonds required to be purchased from time to time hereunder; and
- (iii) the Series One Loan Repayments due under the Series One Loan Agreement with respect to the Series One Bonds;

does hereby, without warranty of any kind, grant, bargain, sell, convey, transfer, assign and pledge unto, and grant a security interest in favor of, the 1989 Trustee, and unto its successors in the trusts under this Series One Supplemental Ordinance, and to them and their successors and assigns forever, all right, title and interest of the Issuer, in, to and under the Series One Issuer Granted Trust Estate;

TO HAVE AND TO HOLD all the same to the 1989 Trustee and its successors in said trust and to it and its assigns forever;

IN TRUST NEVERTHELESS, except as in each such case may otherwise be provided in this Series One Supplemental Ordinance upon the terms and trusts in this Series One Supplemental Ordinance set forth for the equal and proportionate benefit, security and protection of all and singular the present and future Owners of the Series One Bonds issued or to be issued under and secured by this Series One Supplemental Ordinance, without preference, priority or distinction as to lien or otherwise;

PROVIDED HOWEVER, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, or make due provision for the payment of the principal of, premium (if any) and interest on and Purchase Price of the Series One Bonds issued, secured and Outstanding under this Series One Supplemental Ordinance at the times and in the manner mentioned in the Series One Bonds and this Series One Supplemental Ordinance, according to the true intent and meaning thereof, shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Series One Supplemental Ordinance to be kept, performed and observed by it in connection with the Series One Bonds, and shall pay or cause to be paid to the Series One Trustee all sums of money due or to become due to it in accordance with the terms and provisions of this Series One Supplemental Ordinance in connection with the Series One Bonds, then upon such final payments this Series One Supplemental Ordinance and the rights thereby granted in and to the Series One Issuer Granted Trust Estate shall cease and terminate with respect to all Series One Bonds, otherwise this Series One Supplemental Ordinance to be and remain in full force and effect with respect to the Series One Bonds.

(c) Additional Assets of the Series A Trust Estate. In consideration of the consent of the 1989 Credit Provider to the issuance of the Series One Bonds as Additional Bonds (as that term is defined in the 1989 Supplemental Ordinance) under the 1989 Supplemental Ordinance and pursuant to and in accordance with Section 103(a)(i)(D) and (a)(ii)(C) of the 1989 Supplemental Ordinance, the Series A Trust Estate is augmented by the addition of the following assets in subaccounts of certain accounts established and created under the 1989 Supplemental Ordinance:

(i) The Issuer Granted Trust Estate. The following properties and assets and interests in properties and assets are hereby added to the "Issuer Granted Trust Estate" with respect to the Series A Bonds as defined in the 1989 Supplemental Ordinance:

(A) the Issuer's right, title and interest to and in the Series One Subaccount of the 1989 Construction Account and the Series One Subaccount of the 1989 Debt Service Account and moneys and investments on deposit therein and investment earnings thereon; and

(B) the Issuer's right, title and interest to and in the proceeds of the Series One Bonds, except for those proceeds deposited in the Series B Refunding Account, and all other amounts held under this Series One Supplemental Ordinance, including the investments, if any, thereof.

(ii) The Borrower Granted Trust Estate. The following properties and assets and interests in properties and assets are hereby added to the "Borrower Granted Trust Estate" with respect to the Series A Bonds as defined in the 1989 Supplemental Ordinance:

(A) the right, title and interest of the Borrower to and in the Series One Subaccount of the 1989 Construction Account and the Series One Subaccount of the 1989 Debt Service Account and moneys and investments on deposit therein and investment earnings thereon; and

(B) the right, title and interest of the Borrower to and in the proceeds of the Series One Bonds, except for those proceeds deposited in the Series B Refunding Account, and all other amounts held under this Series One Supplemental Ordinance, including the investments, if any, thereof.

(iii) The Series A Bonds. The Issuer, in consideration of the premises, the acceptance by the 1989 Trustee of the trusts hereby created, the mutual covenants herein contained, the purchase and acceptance of the Series A Bonds by the purchasers thereof and other valuable consideration, receipt of which is hereby acknowledged, and in order to secure the payment when due of:

(A) the principal of, premium (if any) and interest on the Series A Bonds;

(B) the Purchase Price of any Series A Bonds required to be purchased from time to time under the 1989 Supplemental Ordinance;

(C) the Series A Loan Repayments due under the 1989 Loan Agreement with respect to the Series A Bonds; and

(D) the amounts due under the 1989 Credit Agreement;

does hereby, without warranty of any kind, grant, bargain, sell, convey, transfer, assign and pledge unto, and grant a security interest in favor of, the 1989 Trustee, and unto its successors in the trusts under the 1989 Supplemental Ordinance, and to them and their successors and assigns forever, all right, title and interest of the Issuer, in, to and under the additional assets of the Issuer Granted Trust Estate with respect to the Series A Bonds as described above in Section 103(c)(i) of this Series One Supplemental Ordinance; and also for the benefit of the 1989 Credit Provider as security for the payment and performance by the Borrower of all of its obligations under and pursuant to the 1989 Credit Agreement, including but not limited to all fees, expenses, increased costs and other amounts owing under the 1989 Credit Agreement with the same force and effect as the other assets in the Issuer Granted Trust Estate that have been pledged with respect to the Series A Bonds pursuant to Section 103(b) of the 1989 Supplemental Ordinance; *provided that* in the same manner as relates to the other assets in the Issuer Granted Trust Estate that have been

pledged with respect to the Series A Bonds pursuant to Section 103(b) of the 1989 Supplemental Ordinance, so long as any of the Series A Bonds (other than Series A Bonds which have been fully paid out of moneys drawn by the 1989 Trustee under the 1989 Credit Facility) remain Outstanding, the 1989 Trustee, subject to the terms and provisions of the Amended and Restated Intercreditor Agreement, shall hold the Issuer Granted Trust Estate for the first and prior benefit of the Owners of the Series A Bonds (other than the 1989 Credit Provider) and the interest of the 1989 Credit Provider to and in the Issuer Granted Trust Estate shall be and remain second and subordinate; *and provided further that* the 1989 Credit Facility and all moneys drawn by or paid to the 1989 Trustee thereunder shall be held by the 1989 Trustee for the sole and exclusive benefit of the Owners of the Series A Bonds;

TO HAVE AND TO HOLD all the same to the 1989 Trustee and its successors in said trust and to it and its assigns forever;

IN TRUST NEVERTHELESS, except as in each such case may otherwise be provided in the 1989 Supplemental Ordinance upon the terms and trusts in the 1989 Supplemental Ordinance set forth for the equal and proportionate benefit, security and protection of all and singular the present and future Owners of the Series A Bonds issued or to be issued under and secured by the 1989 Supplemental Ordinance and the 1989 Credit Provider, without preference, priority or distinction as to lien or otherwise;

PROVIDED HOWEVER, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, or make due provision for the payment of the principal of, premium (if any) and interest on and Purchase Price of the Series A Bonds issued, secured and Outstanding under the 1989 Supplemental Ordinance at the times and in the manner mentioned in the Series A Bonds and the 1989 Supplemental Ordinance, according to the true intent and meaning thereof, and all amounts due under any 1989 Credit Agreement shall have been paid and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of the 1989 Supplemental Ordinance to be kept, performed and observed by it in connection with the Series A Bonds, and shall pay or cause to be paid to the 1989 Trustee all sums of money due or to become due to it in accordance with the terms and provisions of the 1989 Supplemental Ordinance in connection with the Series A Bonds, then upon such final payments the 1989 Supplemental Ordinance and the rights thereby granted in and to the Issuer Granted Trust Estate, including the additional assets pledged pursuant to Section 103(c)(a) of this Series One Supplemental Ordinance, shall cease and terminate with respect to all Series A Bonds and with respect to the 1989 Credit Agreement obligations, otherwise the 1989 Supplemental Ordinance to be and remain in full force and effect with respect to the Series A Bonds.

(d) Pledge of the Series B Refunding Account. The Issuer, in consideration of the premises, the acceptance by the 1989 Trustee of the trusts created by the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Supplemental Ordinance, the mutual covenants contained in the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Supplemental Ordinance, the purchase and acceptance of the Series B Bonds by the purchasers thereof and other valuable consideration, receipt of which is hereby acknowledged, and in order to secure the payment when due of:

- (A) the principal of, premium (if any) and interest on the Series B Bonds;
- (B) the Purchase Price of any Series B Bonds required to be purchased from time to time under the 1989 Supplemental Ordinance;
- (C) the Series B Loan Repayments due under the 1989 Loan Agreement with respect to the Series B Bonds; and
- (D) the amounts due under the 1989 Credit Agreement with respect to the Series B Bonds;

does hereby, without warranty of any kind, grant, bargain, sell, convey, transfer, assign and pledge unto, and grant a security interest in favor of, the 1989 Trustee, and unto its successors in the trusts under the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Supplemental Ordinance and to them and their successors and assigns forever, all right, title and interest of the Issuer, in, to and under the Series B Refunding Account and the proceeds of the Series One Bonds deposited therein as part of the Series B Trust Estate; and also for the benefit of the 1989 Credit Provider as security for the payment and performance by the Borrower of all of its obligations under and pursuant to the 1989 Credit Agreement with respect to the Series B Bonds, including but not limited to all fees, expenses, increased costs and other amounts owing under the 1989 Credit Agreement with respect to the Series B Bonds; *provided that*, so long as any of the Series B Bonds (other than Series B Bonds which have been fully paid out of moneys drawn by the 1989 Trustee under the 1989 Credit Facility) remain Outstanding, the 1989 Trustee, subject to the terms and provisions of the Amended and Restated Intercreditor Agreement, shall hold the Series B Refunding Account for the first and prior benefit of the Owners of the Series B Bonds (other than the 1989 Credit Provider) and the interest of the 1989 Credit Provider to and in the Series B Refunding Account shall be and remain second and subordinate; *and provided further that* the 1989 Credit Facility and all moneys drawn by or paid to the 1989 Trustee thereunder shall be held by the 1989 Trustee for the sole and exclusive benefit of the Owners of the Series B Bonds;

TO HAVE AND TO HOLD all the same to the 1989 Trustee and its successors in said trust and to it and its assigns forever;

IN TRUST NEVERTHELESS, except as in each such case may otherwise be provided in the 1989 Supplemental Ordinance upon the terms and trusts in the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Supplemental Ordinance set forth for the equal and proportionate benefit, security and protection of all and singular the present and future Owners of the Series B Bonds issued or to be issued under and secured by the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Supplemental Ordinance and the 1989 Credit Provider, without preference, priority or distinction as to lien or otherwise;

PROVIDED HOWEVER, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, or make due provision for the payment of the principal of, premium (if any) and interest on and Purchase Price of the Series B Bonds issued, secured and Outstanding under the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Ordinance at the times and in the manner mentioned in the Series B Bonds and the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Supplemental Ordinance, according to the true intent and meaning thereof, and all amounts due under any 1989 Credit Agreement with respect to the Series B Bonds shall have been paid and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Supplemental Ordinance to be kept, performed and observed by it in connection with the Series B Bonds, and shall pay or cause to be paid to the 1989 Trustee all sums of money due or to become due to it in accordance with the terms and provisions of the 1989 Supplemental Ordinance and, to the extent applicable, this Series One Ordinance in connection with the Series B Bonds, then upon such final payments this Series One Ordinance and the rights thereby granted in and to the Series B Refunding Account, shall cease and terminate with respect to all Series B Bonds and with respect to the 1989 Credit Agreement obligations, otherwise this Series One Supplemental Ordinance to be and remain in full force and effect with respect to the Series B Bonds.

ARTICLE II
AUTHORIZATION, ISSUANCE
AND PROVISIONS OF SERIES ONE BONDS

Section 201. Authorization of Series One Bonds; Limited Obligations.

(a) **Principal Amount.** The Series One Bonds are hereby authorized to be issued in an aggregate principal amount not to exceed \$5,000,000 for the purposes enumerated in the recitals hereto. The Series One Bonds shall be designated "Metropolitan Service District Waste Disposal Project Revenue Bonds (Riedel Oregon Compost Company, Inc. Project) 1990 Series One." The Series One Bonds shall be issued in the aggregate principal amount determined by the Executive Officer pursuant to Section 1011 hereof.

(b) **Series One Bonds to Constitute Project Bonds of a Single Series Under Master Ordinance.** The Series A Bonds and the Series One Bonds, together with any Additional Bonds issued pursuant to Section 210 of the 1989 Supplemental Ordinance, shall be Project Bonds and shall constitute a single Series, all as defined in and within the meaning of the Master Ordinance.

(c) **Limited Obligations.** The Series One Bonds and all obligations of the Issuer under or with respect to the Series One Bonds and this Series One Supplemental Ordinance shall be and remain limited obligations of the Issuer payable solely and only out of the Series One Trust Estate. No recourse shall be had against any properties, funds or assets of the Issuer (other than the Series One Trust Estate) for the payment of any amounts owing under or with respect to the Series One Bonds or this Series One Supplemental Ordinance. Neither the Series One Bonds nor this Series One Supplemental Ordinance nor the obligations of the Issuer under or with respect thereto constitute or create an indebtedness of the Issuer within the meaning of any constitutional or statutory debt limitation. Notwithstanding anything to the contrary expressed or implied in this Series One Supplemental Ordinance, this Series One Supplemental Ordinance in no way secures or otherwise creates an obligation of the Issuer to provide for the performance of any obligation owed the Series One Credit Provider under the Series One Credit Agreement.

(d) **Tax-Exempt Obligations.** The Series One Bonds are issued as, and are intended to be, Tax-Exempt Obligations (as defined in the Master Ordinance).

Section 202. Maturity Date for the Series One Bonds. The Series One Bonds shall mature on July 1, 2011.

Section 203. Denominations; Dating; Interest Accrual; Computation of Interest; Payments Due on Holidays.

(a) **Denominations and Dating.** The Series One Bonds shall be issued in Authorized Denominations. Each Series One Bond shall be dated as of the Closing Date. Each Series One Bond also shall bear its date of authentication as noted thereon by the 1989 Trustee.

(b) **Interest Accrual.** Each Series One Bond shall bear interest from the Interest Payment Date to which interest has been paid next preceding the date of its authentication, unless the date of its authentication:

(i) is an Interest Payment Date to which interest on such Series One Bond has been paid, in which event such Series One Bond shall bear interest from its date of authentication; or

(ii) is prior to the first Interest Payment Date for the Series One Bond, in which event, such Series One Bond shall bear interest from its date.

(c) Payments Due on Holidays. Interest on the Series One Bonds shall be due and payable on each Interest Payment Date for such bonds; *provided that* whenever a payment of principal of, premium (if any) or interest on a Series One Bond is due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same force and effect as if made on the stated due date.

(d) Computation of Interest. While any Series One Bond bears interest at a Weekly, Monthly or Commercial Paper Rate, interest on such bond shall be computed on the basis of a 365- or 366-day year (as the case may be) and the actual number of days elapsed. While any Series One Bond bears interest at a Semiannual, Extended or Fixed Rate, interest on such bond shall be computed on the basis of a 360-day year and twelve 30-day months.

(e) Method of Payment. Payments of interest on the Series One Bonds (other than any Credit Purchased Bond) shall be made to the registered Owners thereof (as determined at the close of business on the Record Date next preceding the related Interest Payment Date) by Wire Transfer (if requested in writing of the 1989 Trustee by an Owner of not less than \$1,000,000 aggregate principal amount of Series One Bonds not less than five days prior to the applicable Interest Payment Date) or by check or draft mailed to the address of each such Owner as it appears on the registration books of the Issuer maintained by the 1989 Trustee as Series One Bond Registrar, or to such other address as may be furnished in writing to the 1989 Trustee prior to the applicable Record Date by such registered Owner.

Payment of the principal of and redemption premium (if any) on the Series One Bonds shall be made only upon presentation and surrender of such Series One Bonds (other than any Credit Purchased Bond) on or after the maturity or redemption date, as appropriate, at the principal corporate trust office of the 1989 Trustee.

Payment of all amounts owing under any Credit Purchased Bond shall be made when due by Wire Transfer to such account as the Series One Credit Provider may designate in writing to the 1989 Trustee or in such other manner as may be specified in the Series One Credit Agreement; *provided that* final payment of all amounts owing under any Credit Purchased Bond shall only be made upon presentation and surrender of such Credit Purchased Bond at the principal corporate trust office of the 1989 Trustee.

(f) Provisions for Book-Entry System. The Series One Bonds will be subject to a Book-Entry System of ownership and transfer, except as provided in (iii) below. The general provisions for effecting such Book-Entry System are as follows:

(i) The Issuer hereby designates The Depository Trust Company, New York, New York, as the initial Securities Depository hereunder.

(ii) Notwithstanding the provisions regarding exchange and transfer of Series One Bonds under the Master Ordinance, the Series One Bonds shall initially be evidenced by one certificate for each maturity, in an amount equal to the aggregate principal amount thereof. The Series One Bonds so initially delivered shall be registered in the name of "Cede & Co." as nominee for The Depository Trust Company. The Series One Bonds may not thereafter be transferred or exchanged on the registration books of the Issuer held by the 1989 Trustee as Series One Bond Registrar except:

(A) to any successor Securities Depository designated pursuant to (iii) below;

(B) to any successor nominee designated by a Securities Depository; or

(C) if the Issuer shall, by resolution, elect to discontinue the Book-Entry System pursuant to (iii) below, the Issuer will cause the 1989 Trustee to authenticate and deliver replacement Series One Bonds in fully registered form in Authorized Denominations in the names of the Beneficial Owners or their nominees; thereafter the provisions of the Master Ordinance regarding registration, transfer and exchange of 1989 Compost Project Bonds shall apply.

(iii) Upon the resignation of any institution acting as Securities Depository hereunder, or if the Issuer determines that continuation of any institution in the role of Securities Depository is not in the best interests of the Beneficial Owners, the Issuer will attempt to identify another institution qualified to act as Securities Depository hereunder. If the Issuer is unable to identify such successor Securities Depository prior to the effective date of the resignation, the Issuer shall discontinue the Book-Entry System, as provided in (ii)(C) above.

(iv) So long as the Book-Entry System is used for the Series One Bonds, the 1989 Trustee will give any notice of redemption or any other notices required to be given to Owners of Series One Bonds only to the Securities Depository or its nominee registered as the Owner thereof. Any failure of the Securities Depository 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 Series One Bonds called for redemption or of any other action premised on such notice. Neither the Issuer nor the 1989 Trustee is responsible or liable for the failure of the Securities Depository or any Participant thereof to make any payment or give any notice to a Beneficial Owner in respect of the Series One Bonds or any error or delay relating thereto.

During any period in which the Series One Bonds are subject to the Book-Entry System, the Securities Depository may make an appropriate notation on the Series One Bonds indicating the date and amounts of any reduction in principal resulting from a partial redemption, acceleration or any similar transaction necessitating a reduction in principal amount, other than any such reduction occurring on the final maturity date of a Series One Bond (in which case the certificate evidencing such Series One Bond must be surrendered to the 1989 Trustee prior to the payment thereof at maturity).

(g) Form of Series One Bonds. The Series One Bonds shall be issued in substantially the form attached hereto as the Series One Bond Form Appendix but with such variations, changes, additions and deletions as may be necessary or appropriate and not inconsistent with the provisions of this Series One Supplemental Ordinance; *provided that* in the event the Book-Entry System established hereunder with respect to the Series One Bonds is ever discontinued, the Issuer shall cause to be prepared, executed and delivered to the 1989 Trustee for authentication and exchange a form of Series One Bond which contains such additional details concerning the terms thereof as is customary in connection with bonds of similar type which are not subject to a Book-Entry System.

Section 204. Interest Rate Provisions. Each Series One Bond shall bear interest on the unpaid principal balance thereof at the rate or rates of interest determined and adjusted from time to time in the manner provided in this Article II; *provided that* in no event shall the Series One Bonds bear interest at a rate in excess of the Maximum Rate.

Section 205. Initial Interest Rate Period. During the Initial Interest Rate Period (if any), the Series One Bonds shall bear interest at the Initial Interest Rate, with all interest on the Series One Bonds accruing during such Initial Interest Rate Period to be due and payable in full on the Business Day next following the last day of the Initial Interest Rate Period. Commencing on the Business Day next following the last day of the Initial Interest Rate Period and continuing until changed pursuant to Sections 207 and 208 hereof, the Series One Bonds shall bear interest at a Weekly Rate. Notwithstanding the foregoing or anything expressed or implied herein to the contrary, the Executive Officer, pursuant to Section 1011 hereof, shall determine whether or not there shall be an Initial

Interest Rate Period and if the Executive Officer determines that there shall not be an Initial Interest Rate Period, then and in such event the Series One Bonds shall bear interest at a Weekly Rate from the Closing Date until converted to another Rate Period as provided herein.

Section 206. Variable Rates and Commercial Paper Rates.

(a) Determination by Series One Remarketing Agent; Notice of Rates Determined.

Commencing on the Business Day next following the last day of the Initial Interest Rate Period (if there is to be an Initial Interest Rate Period) or on the Closing Date (if there is not to be an Initial Interest Rate Period), the Series One Bonds shall bear interest at a Weekly Rate determined from time to time by the Series One Remarketing Agent as provided herein until converted to another Rate Period as provided herein. Subject to the further provisions of this Article II with respect to particular Variable Rates, Commercial Paper Rates or conversions between Rate Periods, and subject to the provisions of the Series One Bonds, the Variable or Commercial Paper Rate to be applicable to Series One Bonds during any Variable or Commercial Paper Rate Period shall be determined by the Series One Remarketing Agent as provided in this Section 206 and notice thereof shall be given as follows:

(i) Notice of each preliminary Variable Rate, Minimum Variable Rate, Variable Rate and Commercial Paper Rate (other than any Semiannual or Extended Rate) shall be given by the Series One Remarketing Agent to the Series One Credit Provider, the Series One Tender Agent and the 1989 Trustee (unless at the time such Series One Remarketing Agent is the Series One Tender Agent) by telephone (followed by notice in writing by an authorized officer of the Series One Remarketing Agent) not later than 5:00 p.m. (New York City Time) on the date of determination.

(ii) Notice of each preliminary Semiannual and Extended Rate, and of each Semiannual and Extended Rate, shall be given by the Series One Remarketing Agent to the 1989 Trustee and the 1989 Trustee shall give notice thereof in writing to the Owners of the Series One Bonds not later than 5:00 p.m. (New York City Time) on the third Business Day following the date of determination.

(iii) The Series One Remarketing Agent shall inform the 1989 Trustee, and the 1989 Trustee shall inform the Owners of the Series One Bonds, of Weekly and Monthly Rates, and of Minimum Monthly, Semiannual and Extended Rates, upon request.

(iv) Notice of the Commercial Paper Rate for a Series One Bond shall be given to the purchaser of such Series One Bond pursuant to Section 303(b) hereof, but need not be given to the other Owners of the Series One Bonds in a Commercial Paper Rate Period.

(v) The preliminary Variable Rate, the Minimum Variable Rate or the Variable Rate so to be determined shall be the lowest rate of interest which, in the judgment of the Series One Remarketing Agent, would allow the affected Series One Bonds to have a market value equal to the principal amount thereof, plus accrued interest, under prevailing market conditions as of the date of determination; *provided that:*

(A) if the Series One Remarketing Agent fails for any reason to determine or notify the Series One Tender Agent of:

(1) the Minimum Variable Rate for any Variable Rate Period when required hereunder, the Minimum Variable Rate for such period shall be the Variable Rate then in effect; or

(2) the Variable Rate for any Variable Rate Period when required hereunder, the Variable Rate for such period shall be the Variable Rate (or Minimum Variable Rate, if any) then in effect for the Series One Bonds under consideration;

(B) in no event shall the Variable Rate for any Variable Rate Period be lower than the Minimum Variable Rate for such period; and

(C) in no event shall either the Minimum Variable Rate or the Variable Rate for any Variable Rate Period exceed the Maximum Rate.

All determinations of Minimum Variable Rates and Variable Rates pursuant to this Section shall be conclusive and binding upon the Issuer, the Borrower, the 1989 Trustee, the Series One Paying Agent, the Series One Tender Agent, the Series One Credit Provider, and the Owners of the Series One Bonds. The Issuer, the Borrower, the 1989 Trustee, the Series One Paying Agent, the Series One Tender Agent and the Series One Remarketing Agent shall not be liable to the Owners of any Series One Bond for failure to give any notice required above or for failure of the Owner of any Bond to receive any such notice.

(b) Weekly Rate Periods. Weekly Rate Periods shall be from Wednesday of each week to (but not including) Wednesday of the following week; except that:

(i) in the case of a conversion to a Weekly Rate Period from a different Variable Rate Period or from Commercial Paper Rate Periods, the initial Weekly Rate Period for the Series One Bonds shall be from the Weekly Rate Conversion Date to (but not including) Wednesday of the following week; and

(ii) in the case of a conversion of the Series One Bonds from a Weekly Rate Period to a different Rate Period, the last Weekly Rate Period shall end on the Conversion Date.

The Weekly Rate for each Weekly Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the Business Day which is immediately prior to the commencement date of the Weekly Rate Period to which it relates.

(c) Monthly Rate Periods. Monthly Rate Periods shall be from the first Business Day of each calendar month to (but not including) the first Business Day of the following month.

The Monthly Rate for each Monthly Rate Period shall be determined as follows:

(i) a Minimum Monthly Rate for each Monthly Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the last Business Day which is at least eight days immediately preceding the commencement date of such period; and

(ii) the actual Monthly Rate for each Monthly Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the Business Day immediately preceding the commencement date of such period.

(d) Semiannual Rate Periods. Semiannual Rate Periods shall be:

(i) from the Semiannual Rate Conversion Date for the Series One Bonds and from the first Business Day of each sixth calendar month thereafter; to (but not including)

(ii) the first Business Day of the sixth month thereafter.

The Semiannual Rate for each Semiannual Rate Period shall be determined as follows:

(A) a preliminary Semiannual Rate for each Semiannual Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the last Business Day which is at least 30 days immediately preceding the commencement date of such period;

(B) a Minimum Semiannual Rate for each Semiannual Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the last Business Day which is at least 18 days immediately preceding the commencement date of such period; and

(C) the actual Semiannual Rate for each Semiannual Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the Business Day immediately preceding the commencement date of such period.

(e) Extended Rate Periods. Extended Rate Period shall commence initially on the Extended Rate Conversion Date, and subsequently on the first Business Day of the calendar month following the last day of the prior Rate Period and extend for a period of one year or integral multiples of six months in excess of one year set by the Series One Remarketing Agent, and end on a day which is the last day preceding the first Business Day of a calendar month.

The Extended Rate for each Extended Rate Period shall be determined as follows:

(i) a preliminary Extended Rate for each Extended Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the last Business Day which is at least 30 days immediately preceding the commencement date of such period;

(ii) a Minimum Extended Rate for each Extended Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the last business Day which is at least 18 days immediately preceding the commencement date of such period; and

(iii) the actual Extended Rate for each Extended Rate Period shall be determined not later than 4:00 p.m. (New York City Time) on the Business Day immediately preceding the commencement date of such period.

(f) Commercial Paper Rate Periods. The Commercial Paper Rate Periods shall be of such duration, not exceeding 180 days, as may be offered by the Series One Remarketing Agent and specified by the purchaser of the related Series One Bond pursuant to Section 303 or 304 hereof. Each Commercial Paper Rate Period shall:

(i) commence on a Business Day (initially, the Commercial Paper Rate Conversion Date); and

(ii) end on a day which immediately precedes a Business Day.

The Commercial Paper Rate for each Commercial Paper Rate Period shall be effective from the commencement date of such period to the day following the last day thereof. Each such Commercial Paper Rate shall be determined by the Series One Remarketing Agent in connection with the sale of the Series One Bond to which it relates pursuant to Sections 303 or 304 hereof.

Section 207. Conversion between Variable Rate Periods and Commercial Paper Rate Periods.

(a) Conversion at Series One Remarketing Agent's Option. At the option of the Series One Remarketing Agent and upon delivery of an Opinion of Bond Counsel to the Issuer and the 1989 Trustee, the Series One Bonds may be converted from one Variable Rate Period to another or to or from a Commercial Paper Rate Period or Periods, as provided in this Section, which will, in the Series One Remarketing Agent's judgment, from the date of determination, produce the greatest likelihood of the lowest net interest cost to the Issuer and the Borrower during the term of the Series One Bonds; *provided that*, notwithstanding the foregoing, in no event may the Series One Bonds be converted from a Weekly Rate Period to a Commercial Paper Rate Period or any Variable Rate Period other than a Weekly Rate Period unless and until the Issuer has appointed a person or entity to act as Series One Tender Agent during the Rate Period to which the Series One Bonds are to be converted and the person or entity so appointed agrees in writing to act in such capacity. It is recognized that:

(i) the Series One Remarketing Agent may, in the exercise of its judgement, determine Variable or Commercial Paper Rate Periods for the Series One Bonds in order to achieve an average of Commercial Paper Rate Periods that result in interest rates on the Series One Bonds that are higher than those that would be borne by Series One Bonds with shorter Variable or Commercial Paper Rate Periods in order to increase the likelihood of achieving the lowest overall debt service costs to the Issuer and the Borrower by assuring the availability of such interest rates for the longer Variable or Commercial Paper Rate Periods; and

(ii) in view of the uncertainties involved in forecasting interest rates, the Series One Remarketing Agent may establish different Commercial Paper Rate Periods for the Series One Bonds in order to achieve an average of Commercial Paper Rate Periods that, in its judgment, is most likely to achieve the lowest overall debt service on the Series One Bonds during their life.

The Series One Remarketing Agent, in its discretion, may consider such information and resources as it deems appropriate in making the determinations required by this paragraph, but the Series One Remarketing Agent's determination of the Variable or Commercial Paper Rate Period for the Series One Bonds shall be based solely upon the Series One Remarketing Agent's judgment.

(b) Conversion Dates. In the case of conversion between Variable Rate Periods or to a Commercial Paper Rate Period or Periods, the Conversion Date shall be an Interest Payment Date for the Variable Rate Period from which the conversion is to be made; *provided however, that* in the case of a conversion from an Extended Rate Period, the Conversion Date shall be limited to an Interest Payment Date on which a new Extended Rate Period for the Series One Bonds would otherwise have commenced pursuant to Section 206(e) hereof. In the case of conversion from a Commercial Paper Rate Period, the Conversion Date shall be both:

(i) the first Business Day of a calendar month; and

(ii) the last Interest Payment Date on which interest is payable for any and all Commercial Paper Rate Periods theretofore established for any Series One Bond pursuant to Section 303 (as established by a certificate of the Series One Remarketing Agent).

(c) Notice From Series One Remarketing Agent of Conversion. The Series One Remarketing Agent shall give written notice of any such conversion to the Borrower, the 1989 Trustee, the Series One Paying Agent, the Series One Tender Agent, the Issuer and the Series One Credit Provider not less than five Business Days prior to the date on which the Series One Tender Agent is required to notify the Owners of the affected bonds of the conversion pursuant to Section 207(d) below. Such notice shall specify the Conversion Date and the Rate Period to which the conversion will be made.

(d) Notice to Owners. Not less than 30 days prior to the Conversion Date in the case of conversions from a Weekly or Commercial Paper Rate Period or Periods, and not less than 30 days prior to the Conversion Date in all other cases, the Series One Tender Agent shall mail or cause the Series One Paying Agent to mail a written notice of the conversion to the Series One Credit Provider, the Borrower and all of the Owners of the Series One Bonds. A copy of such notice shall be sent to the Issuer and the 1989 Trustee. Such notice shall set forth:

(i) the information contained in the notice from the Series One Remarketing Agent pursuant to Section 207(c) above;

(ii) the Interest Payment Dates for the new Rate Period;

(iii) in the case of conversion to a Variable Rate Period, the dates on which the Series One Remarketing Agent will determine and the Series One Tender Agent will notify the Owners of the preliminary or Minimum Variable Rate (if applicable) and the Variable Rate for the Variable Rate Period commencing on the Conversion Date pursuant to; and

(iv) the matters required to be stated pursuant to Section 304 with respect to purchases of Series One Bonds governed by such Section.

(e) Other Determinations by Series One Remarketing Agent. The preliminary or Minimum Variable Rate (if applicable), the Variable Rate for the Variable Rate Period or the Commercial Paper Rate for each Commercial Paper Rate Period commencing on the Conversion Date shall be determined by the Series One Remarketing Agent in the manner and on the date provided in Section 206. In addition to determining the Variable Rate or Commercial Paper Rates for the Rate Period to which conversion is to be made, the Series One Remarketing Agent shall determine a Weekly Rate at the time specified in Section 206(b) hereof, and give notice thereof to the Series One Tender Agent and the 1989 Trustee, which Weekly Rate shall take effect if needed pursuant to Section 207(f) below.

(f) When Conversion Not Effective. Notwithstanding the delivery of notice of conversion pursuant to Section 207(c) above, conversion to a new Variable or Commercial Paper Rate Period shall not take effect if:

(i) the Series One Remarketing Agent fails to determine a Variable Rate or Commercial Paper Rate (as the case may be) for the Rate Period to which the conversion is to be made;

(ii) any notice required by this Section 207 is not given when required; or

(iii) there is not delivered to the Issuer and the 1989 Trustee an Opinion of Bond Counsel dated as of the Conversion Date.

In any such event, the Series One Bonds which were to be converted shall automatically be converted to a Weekly Rate Period on the date such conversion was to be made, *provided that* any mandatory or optional tender for purchase on the Conversion Date shall nevertheless be carried out. No cancellation of a conversion pursuant to this subsection shall constitute an Series One Event of Default hereunder. Upon the occurrence of an event described in Section 207(f)(i) above, the Weekly Rate shall be the *per annum* rate of interest determined on each Wednesday (or if such day is not a Business Day, the next prior Business Day) by the 1989 Trustee which is equal to the most recently published rate set forth in the Kenny Information Systems 30-day High Grade Index plus 1/5th of one percent, but not to exceed the Maximum Rate.

Section 208. Conversion to Fixed Rate.

(a) Conversion Upon Borrower's Request; Conversion Date. The Series One Bonds shall be converted to bear interest at a Fixed Rate or Rates upon the written request of the Borrower as provided in this Section; *provided that*, in no event shall the Series One Bonds be converted to a Fixed Rate without the prior written consent of the Series One Credit Provider. The Fixed Rate Conversion Date shall be:

(i) in the case of a conversion from a Variable Rate Period other than an Extended Rate Period, an Interest Payment Date for the Series One Bonds on which interest is payable for the Variable Rate Period from which the conversion is to be made;

(ii) in the case of a conversion from an Extended Rate Period, an Interest Payment Date for the Series One Bonds on which a new Extended Rate Period would otherwise have commenced pursuant to Section 206(e) hereof; and

(iii) in the case of a conversion from Commercial Paper Rate Periods, a day which is both (A) the first Business Day of a calendar month and (B) the last Interest Payment Date for the Series One Bonds on which interest is payable for any and all Commercial Paper Rate Periods theretofore established for the Series One Bonds pursuant to Section 206(f) hereof.

Not less than 45 days prior to the Fixed Rate Conversion Date, the Borrower shall give written notice to the 1989 Trustee, the Series One Tender Agent, the Series One Remarketing Agent, the Issuer and the Series One Credit Provider, setting forth:

(1) the election to convert to a Fixed Rate or Rates; and

(2) the proposed Fixed Rate Conversion Date.

The 1989 Trustee, the Series One Credit Provider and the Series One Remarketing Agent shall receive, concurrently with the notice from the Borrower described above, an Opinion of Bond Counsel.

(b) Duties of Series One Remarketing Agent Upon Conversion to Fixed Rate. The Series One Remarketing Agent shall make a preliminary determination of the Fixed Rate or Rates for the Series One Bonds in the same manner as is provided for the final determination of rates pursuant to Section 208(d) below. Such preliminary determination shall be made on a Business Day which is at least 35 days prior to the Fixed Rate Conversion Date. On the date of the preliminary determination, the Series One Remarketing Agent shall notify the Series One Tender Agent, the Issuer, the Borrower, the 1989 Trustee, the Series One Paying Agent, and the Series One Credit Provider, by telephone (promptly confirmed in writing), telegram, telecopy, telex or other similar means of communication of the preliminary Fixed Rate or Rates so determined.

(c) Notice of Conversion to Owners. Subject to the provisions of Section 208(b) above, the Series One Tender Agent shall mail or cause the 1989 Trustee to mail a notice of the proposed conversion to the Owners of all Series One Bonds to be converted. A copy of such notice shall be sent to the Borrower and the Issuer. Such notice shall be mailed not less than 30 days prior to the proposed Fixed Rate Conversion Date. Such notice shall set forth:

(i) the proposed Fixed Rate Conversion Date;

(ii) the dates on which the Series One Remarketing Agent will determine and the Series One Tender Agent will notify the Owners of the Fixed Rate or Rates pursuant to Section 208(d) below;

(iii) the matters required to be stated pursuant to Section 304(c) hereof with respect to purchases of Series One Bonds governed by such Section; and

(iv) the preliminary Fixed Rate or Rates determined pursuant to Section 208(b) above.

(d) Determination of Fixed Rates. The Series One Remarketing Agent shall determine the Fixed Rate or Rates by 3:30 p.m. (New York City Time) not later than the last Business Day that is at least 5 days prior to the Fixed Rate Conversion Date. The Fixed Rate or Rates shall be the lowest rate (not in excess of the Maximum Rate) which, in the judgment of the Series One Remarketing Agent as of the date of determination and under prevailing market conditions, would cause the Series One Bonds to have a market value equal to the principal amount thereof, plus accrued interest. Not later than 4:00 p.m. (New York City Time) on the date of determination of the Fixed Rate or Rates, the Series One Remarketing Agent shall notify the Series One Tender Agent of the Fixed Rate or Rates applicable to each Series One Bond to be converted by telephone (promptly confirmed in writing). Such determination shall be conclusive and binding upon the Issuer, the Borrower, the 1989 Trustee, the Series One Tender Agent, the Series One Credit Provider and the Owners of the Series One Bonds.

The Series One Tender Agent shall make such Fixed Rate or Rates available upon request by telephone (promptly confirmed in writing), telegram, teletype, telex or other similar communication to the Issuer, the Borrower, the 1989 Trustee, the Series One Credit Provider and all Owners who have elected to retain their Series One Bonds. In addition to determining a Fixed Rate or Rates, the Series One Remarketing Agent shall determine a Weekly Rate pursuant to Section 206(b) and give notice thereof to the Series One Tender Agent, the Series One Paying Agent, the 1989 Trustee and the Series One Credit Provider, which Weekly Rate shall take effect if needed pursuant to Section 208(f) below.

(e) [RESERVED]

(f) When Fixed Rate Conversion Not Effective. Notwithstanding the delivery of notice of a Fixed Rate conversion pursuant to Section 208(a) above, conversion to a Fixed Rate Period shall not take effect if:

(i) the Issuer withdraws such notice of conversion not later than the Business Day preceding the date on which the Fixed Rate is to be determined;

(ii) the Series One Remarketing Agent fails to determine a Fixed Rate or Rates; or

(iii) any notice required by this Section 208 is not given when required.

In any of such events, the Series One Bonds shall automatically be converted to a Weekly Rate Period on the date the Fixed Rate conversion was to be made, *provided that* the mandatory tender for purchase pursuant to Sections 304 and 305 hereof shall nevertheless be carried out if notice of the Fixed Rate conversion had been given to the Owners. Withdrawal of a conversion notice shall be given by the Issuer to the 1989 Trustee, the Series One Tender Agent, the Series One Remarketing Agent and the Series One Credit Provider, by telephone, promptly confirmed in writing. No cancellation of a Fixed Rate conversion pursuant to this subsection shall constitute a Series One Event of Default hereunder. If the Series One Bonds are converted to a Weekly Rate, and the Series One Remarketing Agent fails to set a Weekly Rate, the Weekly Rate shall be the *per annum* rate of interest determined on each Wednesday (or if such day is not a Business Day, the next prior Business Day) by the 1989 Trustee which is equal to the most recently published rate set forth in the Kenny Information Systems 30-day High Grade Index plus 1/5th of one percent, but in no event greater than the Maximum Rate.

Section 209. Conditions Precedent to Issuance of Series One Bonds. In addition to complying with the requirements set forth in the Master Ordinance and the 1989 Supplemental Ordinance in connection with the

issuance of the Series One Bonds, all the Series One Bonds shall be executed by the Issuer for delivery to the 1989 Trustee and thereupon shall be authenticated by the 1989 Trustee and delivered as directed by the Issuer, but only upon the further receipt by the 1989 Trustee of:

(a) executed or certified copies of the executed Series One Loan Agreement and the Series One Credit Agreement;

(b) certified copies of the Master Ordinance, the 1989 Supplemental Ordinance and this Series One Supplemental Ordinance;

(c) an opinion of Bond Counsel regarding the due authorization, issuance and validity of the Series One Bonds, the federal tax-exempt status of the interest thereon, and related matters, in form and substance satisfactory to the Issuer, the Underwriter, the 1989 Credit Provider, counsel to the 1989 Credit Provider, the Series One Credit Provider and counsel to the Series One Credit Provider;

(d) an opinion of counsel to the Borrower regarding the due authorization, execution, delivery and validity of the Series One Loan Agreement and other documents, instruments and agreements relating thereto, and setting forth various other opinions regarding the transactions contemplated hereby, all in form and substance satisfactory to Bond Counsel, the Issuer, the Series One Credit Provider, counsel to the Series One Credit Provider, the 1989 Credit Provider, counsel to the 1989 Credit Provider and the Underwriter;

(e) an opinion of counsel to the obligor under the Series One Credit Agreement regarding the due authorization, execution, delivery and validity of the Series One Credit Agreement, in form and substance satisfactory to Bond Counsel, the Issuer, the Series One Credit Provider, counsel to the Series One Credit Provider, the 1989 Credit Provider, counsel to the 1989 Credit Provider and the Underwriter;

(f) an opinion of counsel to the Borrower regarding the truth, accuracy and completeness of the final official statement relating to the Series One Bonds, in form and substance satisfactory to Bond Counsel, the Issuer, the Underwriter, the 1989 Credit Provider, counsel to the 1989 Credit Provider, the Series One Credit Provider and counsel to the Series One Credit Provider;

(g) an opinion of counsel to the Series One Credit Provider, regarding the due authorization, execution, delivery and validity of the Series One Credit Facility and setting forth various other opinions regarding the transactions contemplated hereby, all in form and substance satisfactory to Bond Counsel, the Issuer, the 1989 Credit Provider, counsel to the 1989 Credit Provider and the Underwriter;

(h) an opinion of counsel to the Series One Credit Provider regarding the truth, accuracy and completeness of the statements and information regarding the Series One Credit Provider, the Series One Credit Facility and the Series One Credit Agreement contained in the final official statement relating to the Series One Bonds, in form and substance satisfactory to Bond Counsel, the Issuer, the 1989 Credit Provider, counsel to the 1989 Credit Provider and the Underwriter;

(i) the Series One Credit Facility, duly executed and delivered by the Series One Credit Provider to the 1989 Trustee and in full force and effect;

(j) the written consent of the 1989 Credit Provider to the issuance of the Series One Bonds as Additional Bonds (as defined in the 1989 Supplemental Ordinance) under the 1989 Supplemental Ordinance; and

(k) such other documents, instruments, agreements, certificates, opinions and other materials as may be requested by Bond Counsel, the Issuer, the Underwriter, counsel to the Underwriter, the 1989 Credit

Provider, counsel to the 1989 Credit Provider, the Series One Credit Provider and counsel to the Series One Credit Provider.

ARTICLE III

REDEMPTION AND PURCHASE OF SERIES ONE BONDS

Section 301. Optional Redemption.

(a) Optional Redemption During Weekly, Monthly or Commercial Paper Rate Periods. The Series One Bonds bearing interest at Weekly, Monthly or Commercial Paper Rates are subject to optional redemption prior to their Stated Maturity, without premium, upon Borrower's written request to the Issuer and the 1989 Trustee in whole on any date or in part on any Interest Payment Date at a price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, *provided that*, in no event shall the Series One Bonds be redeemed pursuant to this Section 301(a) without the prior written consent of the Series One Credit Provider.

(b) Optional Redemption During Semiannual Rate Period. The Series One Bonds bearing interest at Semiannual Rates are subject to optional redemption prior to their Stated Maturity, without premium, upon Borrower's written request to the Issuer and the 1989 Trustee in whole or in part on any Interest Payment Date at a price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, *provided that*, in no event shall the Series One Bonds be redeemed pursuant to this Section 301(b) without the prior written consent of the Series One Credit Provider.

(c) Optional Redemption on Last Interest Payment Date of Extended Rate Period. The Series One Bonds bearing interest at Extended Rates are subject to optional redemption, without premium, upon Borrower's written request to the Issuer and the 1989 Trustee in whole or in part on the final Interest Payment Date of any Extended Rate Period at a price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, *provided that*, in no event shall the Series One Bonds be redeemed pursuant to this Section 301(c) without the prior written consent of the Series One Credit Provider.

(d) Optional Redemption During Fixed Rate Period. The Series One Bonds are subject to redemption after the Fixed Rate Conversion Date upon Borrower's written request to the Issuer and the 1989 Trustee in whole on any date or in part on any Interest Payment Date, upon expiration of the applicable call protection period set forth below, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued and unpaid interest thereon to the date fixed for redemption plus a premium (expressed as percentages of the principal amount to be redeemed) as set forth below, *provided that*, in no event shall the Series One Bonds be redeemed pursuant to this Section 301(d) without the prior written consent of the Series One Credit Provider.

Length of Fixed Rate Period:

Premium Applicable to:

Equal to or greater than:	But less than:	No-call Period:	First and Second Call Date:	Third and Fourth Call Date:	Fifth Call Date and Thereafter:
18 years	N/A	9 years	2%	1%	0%
12 years	18 years	8 years	2%	1%	0%
9 years	12 years	6 years	2%	1%	0%
7 years	9 years	5 years	1%	0%	0%
5 years	7 years	3 years	1%	0%	0%

Section 302. Tenders During Variable Rate Periods.

(a) **Purchase Dates.** During any Variable Rate Period with respect to the Series One Bonds, the Owners of the Series One Bonds (other than the Series One Credit Provider) may elect to have their Series One Bonds (or portions thereof in Authorized Denominations) purchased at the Purchase Price, on the following Purchase Dates and upon the giving of the following telephonic or written notices meeting the further requirements of Section 302(b) below:

(i) Series One Bonds bearing interest at Weekly Rates may be tendered for purchase on any Business Day upon delivery of a written notice of tender to the Series One Tender Agent not later than 5:00 p.m. (New York City Time) on a Business Day not less than seven days prior to the Purchase Date.

(ii) Series One Bonds bearing interest at Monthly or Semiannual Rates may be tendered for purchase on any Interest Payment Date upon delivery of a written notice of tender to the Series One Tender Agent not later than 5:00 p.m. (New York City Time) on a Business Day which is not less than seven days prior to the Purchase Date in the case of the Series One Bonds bearing interest at Monthly Rates, or 15 days prior to the Purchase Date in the case of Series One Bonds bearing interest at Semiannual Rates.

(iii) Series One Bonds bearing interest at Extended Rates may be tendered for purchase on the commencement date of any Extended Rate Period (other than the Extended Rate Conversion Date) upon delivery of a written notice of tender to the Series One Tender Agent not later than 5:00 p.m. (New York City Time) on a Business Day which is not less than 15 days prior to the Purchase Date.

(b) **Notice of Tender.** Each notice of tender:

(i) shall, in the case of a written notice, be delivered to the Series One Tender Agent at its principal office and be in form satisfactory to the Series One Tender Agent;

(ii) shall state, whether delivered in writing or by telephone:

(A) the principal amount of the Series One Bond or portion of the Series One Bond to be purchased, the number assigned to such Series One Bond and the Series thereof;

(B) that the Owner irrevocably demands purchase of such Series One Bond or portion thereof;

(C) the date on which such Series One Bond or portion thereof is to be purchased; and

(D) payment instructions; and

(iii) shall automatically constitute, whether delivered in writing or by telephone:

(A) an irrevocable offer to sell the Series One Bond or portion thereof to which the notice relates on the Purchase Date to any purchasers selected by the Series One Remarketing Agent, at the Purchase Price;

(B) an irrevocable authorization and instruction to the Series One Bond Registrar to effect transfer of such Series One Bond or portion thereof upon payment of such price to the Series One Tender Agent on the Purchase Date;

(C) an irrevocable authorization and instruction to the Series One Tender Agent to effect the exchange of the Series One Bond to be purchased in whole or in part for other Series One Bonds in an equal aggregate principal amount and of the same Series and tenor so as to facilitate the sale of such Series One Bond or portion thereof; and

(D) an acknowledgement that such tendering Owner will have no further rights with respect to such tendered Series One Bond or portion thereof, except for the right of such Owner to receive such Purchase Price upon surrender of such Series One Bond to the Series One Tender Agent.

The determination of the Series One Tender Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Owner.

(c) Series One Bonds to be Remarketed. Not later than 4:30 p.m. (New York City Time) on the Business Day immediately following the date of receipt of any notice of tender, the Series One Tender Agent shall notify the Series One Remarketing Agent and the 1989 Trustee of the principal amount of Series One Bonds or portions thereof to be tendered and remarketed and the date they are to be tendered and remarketed. Such notices shall be given by telephone, telegram, teletype, telex or other similar communication and shall be promptly confirmed in writing.

(d) Remarketing of Tendered Bonds. The Series One Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Series One Bonds or portions thereof properly tendered. All Series One Bonds shall be at all times remarketed at par plus accrued and unpaid interest (if any). The terms of any sale by the Series One Remarketing Agent shall provide for the purchase of the Series One Bonds or portions thereof to be tendered at the Purchase Price and the payment of such Purchase Price by the Series One Remarketing Agent at the time specified in Section 306 against delivery of the remarketed Series One Bonds to the Series One Tender Agent at or before 11:30 a.m. (New York City Time) on the Purchase Date. Notwithstanding the foregoing, the Series One Remarketing Agent shall not offer for sale any Series One Bond if notice of conversion from one Variable Rate Period to another, to Commercial Paper Rate Periods or to a Fixed Rate Period has been given to the Owners by the 1989 Trustee, unless the Series One Remarketing Agent has advised the person to whom the offer is made of such conversion and the effect of such conversion on the rights of Owners to tender their Series One Bonds, as described in the conversion notice from the 1989 Trustee to the Owners.

Section 303. Tenders During Commercial Paper Rate Periods.

(a) Purchase Dates. Each Series One Bond bearing interest at a Commercial Paper Rate shall be subject to mandatory tender for purchase at the Purchase Price on the first Business Day following the end of each Commercial Paper Rate Period applicable to such Series One Bond.

(b) Remarketing of Tendered Commercial Paper Bonds. Commencing at 3:00 p.m. (New York City Time) on the Business Day immediately preceding each Purchase Date, the Series One Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Series One Bonds required to be purchased on the ensuing Purchase Date except for Series One Bonds which the Owners have elected to retain as provided in Section 303(c) below. In remarketing the Series One Bonds, the Series One Remarketing Agent shall offer and accept purchase commitments for the Series One Bonds for such Commercial Paper Rate Periods and at such Commercial Paper Rates as it deems to be advisable in order to minimize the net interest cost on the Series One Bonds under prevailing market conditions; *provided, however, that* the foregoing shall not prohibit the Series One Remarketing Agent from accepting purchase commitments for longer Commercial Paper Rate Periods (and at higher Commercial Paper Rates) than are otherwise available at the time of any Series One Remarketing if in the reasonable judgment of the Series One Remarketing Agent, under prevailing market conditions, a lower interest cost on the Series One Bonds can be achieved over the longer Commercial Paper Rate Periods than over a succession of shorter Commercial Paper Rate Periods. No Commercial Paper Rate may be established which exceeds the Maximum Rate; and no Commercial Paper Rate Period may be established which exceeds 180 days or, if the Series One Remarketing Agent has given or received notice of any conversion to a Variable or Fixed Rate Period or notice of a mandatory tender pursuant to Sections 304 or 305, the remaining number of days prior to the Conversion Date, or mandatory tender date, as the case may be. The terms of any sale by the Series One Remarketing Agent shall provide for the purchase of the Series One Bonds to be remarketed at the Purchase Price and the payment of such Purchase Price by the Series One Remarketing Agent at the time specified in Section 304 against delivery of the remarketed Series One Bonds to the Series One Tender Agent at or before 11:30 a.m. (New York City Time) on the Purchase Date.

(c) Election to Retain. Prior to 3:00 p.m. (New York City Time) on the Business Day immediately preceding each Purchase Date for any Series One Bond bearing interest at a Commercial Paper Rate, the Owner thereof may elect to retain such Series One Bond for an additional Commercial Paper Rate Period by giving telephonic notice of such election to the Series One Tender Agent *provided that* prior to such time on such Business Day such Owner has agreed with the Series One Remarketing Agent as to the duration of the additional Commercial Paper Rate Period and the Commercial Paper Rate to be effective during such period subject to the limitations described in Section 303(b) above. Any Owner so electing to retain a Series One Bond shall be required to deliver such Series One Bond and pay the Purchase Price for the Series One Bond for the additional Commercial Paper Rate Period in the same manner as is provided for the purchase of Series One Bonds for resale to a different Owner. Any Owner electing to retain such Bond and pay the Purchase Price shall also be entitled to receive the Purchase Price for such Series One Bond.

Section 304. Tenders Upon Variable, Commercial Paper or Fixed Rate Conversion.

(a) Purchase Dates and Election to Retain. In the case of any conversion from one Rate Period to another, the Series One Bonds to be converted are subject to mandatory tender for purchase on the Conversion Date at the Purchase Price; *provided that* the Owners of such bonds may elect to retain their Series One Bonds notwithstanding a mandatory tender pursuant to this paragraph by giving notice of such election to the Series One Tender Agent. Notice of election to retain Series One Bonds shall be given to the Series One Tender Agent:

(i) in the case of conversion to a Weekly Rate Period, in writing on a Business Day not less than five Business Days prior to the Conversion Date;

(ii) in the case of conversion to a Monthly Rate Period, in writing on a Business Day not less than five Business Days prior to the Conversion Date;

(iii) in the case of conversion to a Semiannual or Extended Rate Period, in writing on a Business Day not less than 15 days prior to the Conversion Date;

(iv) in the case of conversion to a Commercial Paper Rate Period, by telephone not later than 3:00 p.m. (New York City Time) on the Business Day immediately preceding the Commercial Paper Rate Conversion Date; and

(v) in the case of conversion to a Fixed Rate Period, in writing not later than the last Business Day which is at least ten days prior to the date the Fixed Rate is determined pursuant to Section 208(d) hereof.

(b) Notice of Election to Retain. Notices of election to retain Series One Bonds pursuant to Section 304(a) above shall state that the person delivering the same is an Owner, specify the principal amount, Series and number of the Series One Bonds to which such notice relates, and direct the Series One Tender Agent not to purchase the Series One Bonds so specified. In addition, in the case of a conversion to a Fixed Rate Period, such notice shall state:

(i) that the Owner acknowledges that after the Fixed Rate Conversion Date, the Series One Bonds will no longer be subject to tender at the option of the Owner; and

(ii) that the Owner is aware that after the Fixed Rate Conversion Date the rating or ratings assigned to the Series One Bonds may be lowered or withdrawn.

Any such notice given to the Series One Tender Agent shall be irrevocable and binding upon the Owner delivering the same and all subsequent Owners of the Series One Bonds to be retained, including any Series One Bonds to be issued in exchange therefor or upon transfer thereof; except that, in the case of a notice given in connection with a conversion to Commercial Paper Rates, such notice shall be subject to the Owner's ability to reach an agreement with the Series One Remarketing Agent with respect to the initial Commercial Paper Rate Period and Commercial Paper Rate in the manner described in Section 303 hereof.

(c) Notice to Owners. Any notice of a conversion given to Owners pursuant to Section 208(c) hereof shall, in addition to the requirements of such Section, specify:

(i) that the Series One Bonds to be converted will be subject to optional or mandatory tender for purchase on the Conversion Date and the time at which Series One Bonds are to be tendered for purchase;

(ii) the date and time by which any notice of an election to retain Series One Bonds pursuant to this Section must be received; and

(iii) if appropriate, the matters required to be stated in a notice of election to retain Series One Bonds (or contain a form thereof).

(d) Remarketing. At or before 4:00 p.m. (New York City Time) on the Business Day immediately following the last day on which notices of election to retain Series One Bonds may be delivered to the Series One Tender Agent pursuant to Section 304(b) above (or immediately upon receipt of such notice in the case of conversions to Commercial Paper Rate Periods), the Series One Tender Agent shall notify the 1989 Trustee, the Series One Credit Provider, and the Series One Remarketing Agent, by telephone, telegram, telecopy, telex or other similar communication, of the aggregate principal amount of Series One Bonds to be tendered for purchase on the Conversion Date. The Series One Remarketing Agent shall offer for sale and use its best efforts to find purchasers for the Series One Bonds to be tendered. The terms of any sale by the Series One Remarketing Agent shall provide for the purchase of the Series One Bonds to be tendered at the Purchase Price and the payment of such purchase price to the Series One Tender Agent by the Series One Remarketing Agent at the time specified in Section 306 against

delivery of the remarketed Series One Bonds at or before 11:30 a.m. (New York City Time), on the Conversion Date.

Section 305. Tenders Upon Expiration, Substitution or Termination of Series One Credit Facility; Mandatory Purchase Upon Event of Default Under Series One Credit Agreement.

(a) Purchase Dates Upon Expiration, Substitution or Termination of Series One Credit Facility. Prior to the expiration, substitution or termination of the Series One Credit Facility, the Series One Bonds shall be subject to mandatory tender for purchase at the Purchase Price:

(i) on a Business Day which is at least five days prior to the date on which the Series One Credit Facility is to be cancelled in connection with replacement by an Alternate Credit Facility pursuant to Section 604 of this Series One Supplemental Ordinance but only if as a result of such replacement the ratings assigned to the Series One Bonds by the Rating Agencies will be withdrawn or will be lower than the ratings assigned thereto immediately prior to such replacement; or

(ii) on a Business Day which is at least five days prior to a termination or expiration of the Series One Credit Facility.

Notwithstanding paragraphs (i) and (ii) above, the Owners of the Series One Bonds may elect to retain their Series One Bonds by giving notice of such election in writing to the Series One Tender Agent not later than five Business Days prior to the Purchase Date.

(b) Election to Retain In Connection With Purchase Upon Expiration, Substitution or Termination of Series One Credit Facility. Notices of election to retain Series One Bonds shall state that the person delivering the same is an Owner, specify the principal amount, Series and numbers of the Series One Bonds to which such notice relates, and direct the Series One Tender Agent not to purchase the Series One Bonds so specified notwithstanding the occurrence of the event giving rise to the mandatory tender. Any election to retain Series One Bonds given to the Series One Tender Agent shall be irrevocable and binding upon the Owner delivering the same and all subsequent Owners of the Series One Bonds to be retained, including any Series One Bonds issued in exchange therefor. Notices of election shall state, in connection with the mandatory tender pursuant to Sections 305(a)(i) and (ii), that the Owner is aware that as a result of the related Alternate Credit Facility or the expiration of the Series One Credit Facility the rating or ratings assigned to the Series One Bonds may be lowered or withdrawn; state in the case of a mandatory tender pursuant to Section 305(a)(ii) that the Owner is aware that the obligation of the Series One Credit Provider to purchase the Series One Bonds pursuant to the Series One Credit Facility is terminating or expiring and that the Series One Bonds will no longer be subject to purchase at the option of the Owner.

(c) Notice to Owners of Purchase Upon Expiration, Substitution or Termination of Series One Credit Facility. Notice of mandatory tender shall be given by mail by the 1989 Trustee to the Owners of the affected Series One Bonds by two separate mailings at least one week apart, the first of which shall be not less than 30 days prior to the mandatory tender date. Such notice shall specify:

(i) the date by which any notice of election to retain Series One Bonds pursuant to this Section must be received;

(ii) whether the ratings assigned to the Series One Bonds will be reduced or withdrawn; and

(iii) the matters required to be stated in a notice of election to retain Series One Bonds (or contain a form thereof).

A copy of such notice shall be sent to the Issuer, the Series One Tender Agent and the Borrower. Notice having been so given, such mandatory tender shall occur on the date provided in such notice whether or not an Alternate Credit Facility is provided after such initial notice has been given.

(d) Remarketing. At or before 4:00 p.m. (New York City Time) on the Business Day immediately following the last day on which notices of election to retain Series One Bonds may be delivered pursuant to Section 305(a) above, the Series One Tender Agent shall notify the Series One Remarketing Agent by telephone, telegram, teletype, telex or other similar communication of the aggregate principal amount of Series One Bonds to be tendered for purchase on the mandatory tender date. The Series One Remarketing Agent shall offer for sale and use its best efforts to find purchasers for the Series One Bonds to be tendered pursuant to Section 305(a) above. In the case of replacement of the Series One Credit Facility, the Series One Remarketing Agent shall inform prospective purchasers of the identity of the new Series One Credit Provider and the ratings to be in effect on the Series One Bonds following such conversion. The terms of any sale shall provide for the sale of the Series One Bonds to be tendered at the Purchase Price payable at or before 11:30 a.m. (New York City Time) in immediately available funds.

(e) Mandatory Purchase Upon Occurrence of Event of Default under Series One Credit Agreement. In the event that the Series One Credit Provider shall give written notice to the 1989 Trustee, the Issuer, the Series One Remarketing Agent, the Series One Tender Agent and the Borrower that an Event of Default under and as defined in the Series One Credit Agreement has occurred which has not been waived or cured within the applicable time period and instructing the 1989 Trustee to effect a mandatory purchase pursuant to this Section 305(e), then and in such event all Series One Bonds which are secured by the Series One Credit Facility provided under such Series One Credit Agreement shall be purchased or deemed purchased (as provided in Section 302(1) hereof) on the date specified by the 1989 Trustee as provided below.

Within five days of the date of receipt by the 1989 Trustee of the notice from the Series One Credit Provider described in the immediately preceding paragraph, the 1989 Trustee shall give a written mandatory purchase notice by first class mail, postage prepaid, to the Owners of the Outstanding Series One Bonds subject to mandatory purchase pursuant to this Section, which notice:

(i) shall state that such bonds are subject to mandatory purchase pursuant to this Section by virtue of the occurrence and continuation of an Event of Default under and as defined in the Series One Credit Agreement or by virtue of the occurrence of the circumstances referred to in Section 305(e)(2) above;

(ii) shall specify the Purchase Date, which shall be a Business Day selected by the 1989 Trustee and a date not earlier than the tenth nor later than the seventeenth day following the date of mailing of such notice of mandatory purchase; and

(iii) shall state that all Series One Bonds affected thereby shall be purchased or deemed purchased on such Purchase Date and that no Owner of such Series One Bonds shall have the right to retain such Series One Bonds after such Purchase Date.

Section 306. Purchase of Tendered Bonds.

(a) Notices.

(i) Notice of Purchase of Tendered Bonds. At or before 3:30 p.m. (New York City Time) on the Business Day immediately preceding the Purchase Date (or 10:30 a.m. (New York City Time) on the Purchase Date in the case of Series One Bonds bearing interest at Commercial Paper Rates), the Series One Remarketing Agent shall give notice by telephone, telegram, teletype, telex or other similar communication to the 1989 Trustee of the principal amount of tendered Series One Bonds which have been

remarketed and of the names, addresses and taxpayer identification numbers of the purchasers and the denominations of remarketed Series One Bonds to be delivered to each purchaser. Upon the receipt of such notice (or, if no notice is received) the 1989 Trustee shall give the related Series One Credit Provider the notices at the time and in the manner required under the related Series One Credit Facility with respect to such Series One Credit Provider's obligation to purchase any such Series One Bonds which have not been remarketed and draw on such Series One Credit Facility pursuant to Article III hereof.

(ii) Failure to Receive Remarketing Proceeds. At or before 11:30 a.m. (New York City Time) on the Purchase Date (being the time set forth in Section 306(d)(i) for the receipt of the Purchase Price of all Series One Bonds which have been remarketed), the Series One Remarketing Agent shall give confirmation by telephone, telegram, teletype, telex or other similar communication to the 1989 Trustee of the principal amount of tendered Series One Bonds with respect to which (A) notice of remarketing was given to the 1989 Trustee pursuant to Section 306(a)(i) and (B) payment of the Purchase Price in accordance with Section 306(d)(i) has been received. Upon the receipt of such confirmation (or, if no confirmation is received) the 1989 Trustee shall give the Series One Credit Provider notice before 12:00 noon (New York City Time) on the Purchase Date in the manner required under the Series One Credit Facility with respect to the Series One Credit Provider's obligation to purchase any remarketed Series One Bonds for which remarketing proceeds have not been received and draw on such Series One Credit Facility pursuant to Article III hereof an amount equal to the Purchase Price of those remarketed Series One Bonds with respect to which the 1989 Trustee has not received confirmation of the receipt of remarketing proceeds.

(b) Sources of Payment. The Series One Remarketing Agent shall pay to the Series One Tender Agent on the Purchase Date all amounts representing proceeds of the Series One Remarketing of such Series One Bonds, such payments to be made in the manner and at the time specified in Sections 302(d), 303(b), 304(d) and 305(d), as applicable. All such proceeds shall be held by the Series One Tender Agent in trust in a separate segregated account and invested solely in Government Obligations which mature not later than the earlier of 30 days after the date of acquisition or the date by which such moneys are expected to be needed to pay the Purchase Price of the related Series One Bonds. The Series One Credit Provider has agreed under the Series One Credit Facility to pay to the 1989 Trustee the Purchase Price of the related Series One Bonds that have not been remarketed on or before 3:30 p.m. (New York City Time) on the Purchase Date.

(c) Payments by the Series One Tender Agent; Payments Due on Saturdays, Sundays and Holidays. Before 4:00 p.m. (New York City Time), on the Purchase Date and upon receipt by the Series One Tender Agent of 100% of the aggregate Purchase Price of the tendered Series One Bonds, the Series One Tender Agent shall pay the Purchase Price of such Series One Bonds to the Owners thereof at its Delivery Office or by bank Wire Transfer. Such payments shall be made in immediately available funds. Payments of such Purchase Price are to be made from the following sources in the order of priority indicated:

(i) the proceeds of the sale of the Series One Bonds which have been remarketed by the Series One Remarketing Agent pursuant to Section 302 of this Series One Supplemental Ordinance (other than proceeds of a sale of the Series One Bonds to the Borrower, any of the Affiliates of the Borrower, or the Issuer);

(ii) moneys paid to the 1989 Trustee pursuant to the Series One Credit Facility; and

(iii) moneys deposited by the Borrower with the 1989 Trustee for the specific purpose of paying the Purchase Price of any Series One Bonds.

Whenever the Purchase Date for any Series One Bond falls on a day which is not a Business Day, then payment of the Purchase Price of such Series One Bond shall be made (upon delivery of such Series One Bond to the

Series One Tender Agent as provided above) on the next Business Day with the same force and effect as if made on the applicable Purchase Date.

(d) Registration and Delivery of Tendered or Purchased Bonds. On the Purchase Date, the Bond Registrar shall register and deliver (or hold) all Series One Bonds purchased on any Purchase Date as follows:

(i) Series One Bonds purchased or remarketed by the Series One Remarketing Agent shall be registered in accordance with the instructions of the Series One Remarketing Agent and made available to be picked up by the Series One Remarketing Agent against payment of the Purchase Price by 11:30 a.m. (New York City Time); and

(ii) Series One Bonds purchased under a Series One Credit Facility shall be registered in the name of the related Series One Credit Provider or its nominee and shall be delivered to such Series One Credit Provider or to its agent.

(e) Delivery of Bonds; Effect of Failure to Surrender Bonds. All Series One Bonds to be purchased on any date shall be required to be delivered to the Delivery Office of the Series One Tender Agent at or before 11:30 a.m. (New York City Time) on the Purchase Date, except that Series One Bonds bearing interest at Semiannual or Extended Rates being tendered for purchase at the election of the Owner pursuant to Section 302 shall be delivered to the Delivery Office of the Series One Tender Agent along with the notice of tender.

If the Owner of any Series One Bond (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such Series One Bond to the Series One Tender Agent for purchase on the Purchase Date, and if the Series One Tender Agent is in receipt of the Purchase Price therefor, such Series One Bond (or portion thereof) shall nevertheless be deemed purchased on the Purchase Date and ownership of such Bond (or portion thereof) shall be transferred to the purchaser thereof as provided in Section 306(d) above. Any Owner who fails to deliver a Series One Bond for purchase as required above shall have no further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Series One Bond to the Series One Tender Agent. The Series One Tender Agent shall promptly notify the 1989 Trustee of any such failure to deliver a Series One Bond to the Series One Tender Agent and the 1989 Trustee shall be entitled to conclusively rely on such notification.

(f) No Physical Delivery Required While Book-Entry System in Place. Notwithstanding anything expressed or implied in this Series One Supplemental Ordinance to the contrary, so long as the Book-Entry System for the Series One Bonds is maintained by the Issuer, there shall be no requirement of physical delivery to the Series One Tender Agent of any Series One Bonds subject to mandatory or optional purchase as a condition to the payment of the Purchase Price therefor. Rather notice of any change in ownership of any Series One Bond as a result of any such mandatory or optional purchase shall be given by the Series One Remarketing Agent to DTC by telephone, telegram, telecopy, telex or other similar communication on or before 12:00 noon (New York City time) on the applicable Purchase Date and DTC shall thereupon register the transfer of Beneficial Ownership of such Series One Bond as directed in such notice, whereupon the Purchase Price shall be paid to the former Beneficial Owner thereof.

Section 307. Credit Purchased Bonds. In the event that any Series One Bonds are registered in the name of a Series One Credit Provider pursuant to Section 306(d), the Series One Remarketing Agent shall continue to offer for sale and use its best efforts to sell such Series One Bonds at the Purchase Price. Prior to such remarketing, the Series One Tender Agent shall deliver such Series One Bonds to the Series One Credit Provider or its designee, or, if so instructed by such Series One Credit Provider, shall hold such Series One Bonds on its behalf, *provided that*, so long as the Book-Entry System for the Series One Bonds is maintained by the Issuer, notice of any change in ownership shall be given to DTC as described above in Section 306(f). While a Series One Credit Facility is effective, Series One Bonds paid for with funds made available under such Series One Credit Facility shall not be delivered upon remarketing unless such Series One Credit Facility is automatically reinstated for the principal

amount thereof and interest thereon in accordance with its terms or the Series One Remarketing Agent, the Series One Paying Agent, the Series One Tender Agent and the 1989 Trustee have been advised by such Series One Credit Provider that it has elected to reinstate such Series One Credit Facility for the required amount. The initial Series One Credit Facility provides that it is automatically reinstated for the principal amount and interest on Credit Purchased Bonds which are remarketed in accordance with its terms.

Section 308. No Purchase or Sales After Certain Defaults. Anything in this Series One Supplemental Ordinance to the contrary notwithstanding, there shall be no purchase or sales of Series One Bonds pursuant to this Article III:

(a) if there shall have occurred and be continuing a Series One Event of Default described in Section 701(a)(i) of this Series One Supplemental Ordinance by virtue of the failure of the 1989 Trustee to properly draw under the Series One Credit Facility amounts sufficient to pay when due the amounts owing under the Series One Bonds; or

(b) if:

(i) (A) the obligation of the Series One Credit Provider to purchase Series One Bonds pursuant to the Series One Credit Facility has expired or has been terminated; or

(B) if the Series One Credit Provider is in default under the Series One Credit Facility; and

(ii) no Alternate Credit Facility has been obtained in replacement for the Series One Credit Facility pursuant to Article VI of this Series One Supplemental Ordinance.

Promptly upon receiving actual notice or knowledge of the same, the 1989 Trustee shall give notice to each Owner of Series One Bonds, the Series One Remarketing Agent, the Series One Tender Agent, and the Series One Credit Provider of the occurrence and continuance of any of the events set forth in the preceding paragraph and that such event results in no purchases or sales of Series One Bonds being permitted pursuant to this Article, and of the curing of any of such events and that consequently the purchases and sales are again permitted pursuant to this Article.

Section 309. Insufficient Funds for Purchases. If the moneys available for purchase of Series One Bonds pursuant to this Article III are inadequate for the purchase of all Series One Bonds tendered on any Purchase Date, all Series One Bonds subject to such purchase shall continue to bear interest at the same rate as in effect on the day prior to the Purchase Date to the date on which the earliest of the following occurs:

(i) the Fixed Rate Conversion Date for the affected Series One Bonds;

(ii) the date on which any default by the related Series One Credit Provider under the terms of the related Series One Credit Facility has been cured; or

(iii) the date on which an Alternate Credit Facility meeting the requirements of the applicable provisions of Article VI of this Series One Supplemental Ordinance has been obtained as security for the affected Series One Bonds.

If the preceding paragraph becomes applicable, the Series One Tender Agent shall immediately (but no later than the end of the next succeeding Business Day):

- (A) return all affected tendered Series One Bonds to the Owners thereof;
- (B) return all moneys received for the purchase of such Series One Bonds to the persons who provided such moneys; and
- (iii) notify all affected Owners in writing of the interest rate to be effective pursuant to the preceding paragraph and the term during which it will be effective in accordance with the provisions of this Section.

Section 310. Restriction on Remarketing of Bonds to Issuer or Borrower. So long as the Series One Credit Facility is effective, no Series One Bond tendered pursuant to this Article III shall be remarketed to the Issuer or the Borrower or any of the Borrower's Affiliates. The Series One Tender Agent shall not be required to monitor the actions of the Series One Remarketing Agent to insure that it will not sell Series One Bonds to the Borrower or any of its Affiliates.

ARTICLE IV

DEPOSIT AND APPLICATION OF BOND PROCEEDS; ESTABLISHMENT AND OPERATION OF ACCOUNTS

Section 401. Establishment of Accounts. There is hereby established with the Series One Trustee the following account, which shall be a special separate subaccount of the Master Project Account established under the Master Ordinance, and the following subaccounts, which shall be separate subaccounts of certain accounts established under the 1989 Supplemental Ordinance:

- (i) the Series B Refunding Account;
- (ii) the Series One Subaccount of the 1989 Construction Account;
- (iii) the Series One Subaccount of the 1989 Debt Service Account; and
- (iv) the Series One Subaccount of the 1989 Rebate Account.

Section 402. Use of Series One Bond Proceeds. The proceeds of sale of the Series One Bonds shall, as soon as practicable upon the delivery thereof to the 1989 Trustee, be applied as follows:

- (a) an amount equal to the accrued interest paid by the initial purchasers of the Series One Bonds shall be deposited in the Series One Subaccount of the 1989 Debt Service Account;
- (b) an amount sufficient to satisfy the requirements established under the Master Ordinance and the 1989 Supplemental Ordinance for refunding the Series B Bonds shall be deposited in the Series B Refunding Account; and
- (c) the balance shall be deposited in the Series One Subaccount of the 1989 Construction Account.

In addition, on the Interest Payment Date on which the Series B Bonds are redeemed the following transfers shall be made:

(d) all moneys properly attributable to the Series B Bonds, in an amount specified in writing by or on behalf of the Issuer to be provided to the 1989 Trustee on or before the Closing Date, shall be transferred from the 1989 Construction Account, but not from the Series One Subaccount thereof, to the Series One Subaccount of the 1989 Construction Account;

(e) all moneys in the Series B Reserve Account shall be transferred to the Series One Subaccount of the 1989 Construction Account; and

(f) all moneys properly attributable to the Series B Bonds (except for the amount required to pay accrued interest on the Series B Bonds on the Interest Payment Date on which the Series B Bonds are redeemed), in an amount specified in writing by or on behalf of the Issuer to be provided to the 1989 Trustee on or before the Closing Date, shall be transferred from the 1989 Debt Service Account, but not from the Series One Subaccount thereof, to the Series One Subaccount of the 1989 Debt Service Account.

Section 403. The Series One Subaccount of the 1989 Construction Account. Amounts on deposit in the Series One Subaccount of the 1989 Construction Account shall be disbursed and applied from time to time to pay the Capital Costs of the 1989 Compost Project upon compliance with the requisition provisions set forth in this Section. Upon the receipt by the 1989 Trustee of a Requisition Certificate signed by the Borrower and meeting the requirements of Section 5.1 of the Series One Loan Agreement, the 1989 Trustee shall disburse from the Series One Subaccount of the 1989 Construction Account to or upon the order of the Borrower the amount requested in such Requisition Certificate.

Notwithstanding anything expressed or implied herein to the contrary:

(i) not less than 95% of the moneys and investment earnings on deposit in the Series One Subaccount of the 1989 Construction Account shall be expended for Qualifying Costs; and

(ii) in no event shall the proceeds of the Series One Bonds be expended to pay Costs of Issuance in excess of two percent (2%) of the proceeds of the Series One Bonds (within the meaning of Code Section 147(g)(1)).

Any balance remaining in the Series One Subaccount of the 1989 Construction Account after payment of all Capital Costs of the 1989 Compost Project shall be transferred to and deposited in the Series One Subaccount of the 1989 Debt Service Account and applied, to the extent possible, to redeem Series One Bonds at the earliest possible date at which such bonds may be redeemed without premium, with any amounts remaining after such redemption of Series One Bonds to be used to pay interest on the Series One Bonds then Outstanding; *provided that* pending such application the moneys so transferred to the Series One Subaccount of the 1989 Debt Service Account shall be invested at such yield as shall be specified in an Opinion of Bond Counsel delivered to the Issuer, the Borrower and the 1989 Trustee.

Section 404. The Series B Refunding Account. The amounts deposited in the Series B Refunding Account are to be deposited therein for the purpose of defeasing the Series B Bonds as provided in and pursuant to Section 1001(b) of the 1989 Supplemental Ordinance. The amounts on deposit in the Series B Refunding Account shall be invested in Government Obligations as the Issuer shall specify on the Closing Date. The amounts on deposit in the Series B Refunding Account shall be held by the 1989 Trustee in trust for the sole and exclusive benefit of the holders of the Series B Bonds and, as long as the 1989 Credit Facility remains in full force and effect with respect to the Series B Bonds, the 1989 Credit Provider, to secure the performance of the Borrower obligations

under the 1989 Credit Agreement with respect to the Series B Bonds, and shall be used by the 1989 Trustee for the purpose of paying the redemption price of (1) all Credit Purchased Bonds acquired by the 1989 Credit Provider on or after the date on which formal, irrevocable notice is provided to owners of the Series B Bonds of the redemption date established by the Borrower with respect to the Series B Bonds, which Credit Purchased Bonds shall be redeemed as soon as practicable following the date on which they are acquired by the 1989 Credit Provider, (2) all Series B Bonds outstanding on the redemption date established by the Borrower with respect to the Series B Bonds and (3) to the extent otherwise permitted under the 1989 Supplemental Ordinance, to pay any other amounts owed with respect to the Series B Bonds. The amounts on deposit in the Series B Refunding Account shall not secure or be available to pay any amounts owing on any outstanding bonds other than the Series B Bonds, and no holders of any bonds (other than the holders of the Series B Bonds) shall have any right, title or interest therein or claim thereto. Any moneys remaining on deposit in the Series B Refunding Account after payment in full of all amounts owing under the Series B Bonds shall be transferred to the Series One Subaccount of the 1989 Construction Account.

Section 405. The Series One Subaccount of the 1989 Debt Service Account. In addition to the deposit required by Sections 402 and 403 hereof, there shall be deposited in the Series One Subaccount of the 1989 Debt Service Account all Series One Loan Repayments as and when received by the 1989 Trustee. On each date upon which any amounts of principal of, premium (if any) or interest on the Series One Bonds are due and payable, the 1989 Trustee shall withdraw from the Series One Subaccount of the 1989 Debt Service Account an amount equal to the amounts due on the Series One Bonds and use the amounts so withdrawn to pay to the Owners of the Series One Bonds the amounts so due thereon; *provided that* if, on any payment date for the Series One Bonds, the principal, interest or premium due on the Series One Bonds on such date has been paid from moneys drawn under the Series One Credit Facility, then the 1989 Trustee, after payment of all amounts due on the Series One Bonds on such date, shall withdraw from the Series One Subaccount of the 1989 Debt Service Account, to the extent available, an amount equal to the amount drawn under the Series One Credit Facility for the purpose of paying such amounts and shall pay the amount so withdrawn to the related Series One Credit Provider in repayment of the corresponding amount owing under the related Series One Credit Agreement. Pursuant to the Amended and Restated Intercreditor Agreement, Series One Loan Repayments (but not moneys drawn under the Series One Credit Facility) are subordinate in right of payment to Series A Loan Repayments.

Section 406. The Series One Subaccount of the 1989 Rebate Account.

(a) Calculation of Rebate Amount; Deposits to and Withdrawals from the Series One Subaccount of the 1989 Rebate Account. The Issuer, pursuant to the Series One Loan Agreement, has covenanted and agreed that, in accordance with the applicable provisions of the Code, it shall cause a Rebate Analyst to calculate the Rebate Amount accruing with respect to each issue of Series One Bonds as provided herein. Within 25 days after the close of each Calculation Period for each issue of Series One Bonds and within 25 days after the final payment in full of all 1989 Compost Project Bonds of a particular issue, the 1989 Trustee shall provide the Issuer and the Rebate Analyst with detailed information concerning the investments made during the Calculation Period just ended out of any moneys held by the 1989 Trustee hereunder which relate to such issue of Series One Bonds and the Rebate Analyst shall compute the Rebate Amount for such issue of Series One Bonds in accordance with the requirements of Section 148(f) of the Code and shall provide to the Borrower, the Issuer and the 1989 Trustee a Rebate Report setting forth such calculations.

In the event a Rebate Report shows a positive Rebate Amount, the Borrower shall deposit into the Series One Subaccount of the 1989 Rebate Account an amount equal to such Rebate Amount.

In the event that a Rebate Report shows that the amounts on deposit in the Series One Subaccount of the 1989 Rebate Account exceed the cumulative Rebate Amount for all prior Calculation Periods, the 1989 Trustee is directed to transfer an amount equal to the amount of such excess from the Series One Subaccount of the 1989 Rebate Account to the Series One Subaccount of the 1989 Debt Service Account (but only to the extent of any amounts on deposit in the Series One Subaccount of the 1989 Rebate Account).

Amounts on deposit from time to time in the Series One Subaccount of the 1989 Rebate Account shall, to the extent practicable, be invested by the 1989 Trustee in such Government Obligations as the Borrower shall direct in writing.

(b) Payment of Rebate Amount to United States. Not later than 30 days after the end of the first Installment Computation Date for each issue of Series One Bonds and every Installment Computation Date thereafter for each issue of Series One Bonds, the 1989 Trustee shall pay to the United States of America, from moneys on deposit in the Series One Subaccount of the 1989 Rebate Account or, if moneys on deposit in the Series One Subaccount of the 1989 Rebate Account are insufficient or unavailable to make such payments, from moneys paid by the Borrower, at least 90% of the Excess Earnings during the preceding Calculation Period for such issue of Series One Bonds and 100% of the investment earnings on such Excess Earnings. In addition, not later than 60 days after the Final Computation Date for each issue of Series One Bonds, the 1989 Trustee shall pay to the United States of America all amounts required to be paid thereto in respect of such issue pursuant to Section 148(f) of the Code as set forth in the final Rebate Report, said payment to be made out of moneys on deposit in the 1989 Rebate Account or, to the extent the moneys on deposit in the Series One Subaccount of the 1989 Rebate Account are insufficient for such purpose, out of moneys paid by the Borrower.

Notwithstanding anything expressed or implied herein to the contrary, it is the intent that there shall be paid to the United States of America, out of moneys on deposit in the Series One Subaccount of the 1989 Rebate Account or payments made by the Borrower, all amounts required to be paid pursuant to Section 148(f) of the Code at the times required thereby.

(c) Conformance to the Code Requirements; "Issue" Defined. Notwithstanding anything expressed or implied herein to the contrary:

(i) the provisions of this Section 406 may be amended from time to time by the Borrower, the Issuer and the 1989 Trustee without the consent of or notice to any Owners in order to conform to the requirements of the Code regarding the payment of the Rebate Amount to the United States of America or the manner or time of calculating such Rebate Amount; and

(ii) in no event shall the Borrower be deemed to be in default in respect of its obligations under this Section 406 so long as all actions taken by the Borrower with respect to the calculation of the Rebate Amount and the payment thereof to the United States of America conform to the requirements of the Code as such requirements may be changed, modified or amended from time to time.

As used in this Section 406 and as used in the definitions of the terms "Bond Year", "Calculation Period", "Excess Earnings" and "Rebate Amount" that appear in Article I hereof, the phrase "issue of Series One Bonds" or any words of similar import shall mean all Series One Bonds of any Series which, for purposes of the arbitrage rebate provisions of the Code, are considered to be a single issue of bonds.

Notwithstanding anything expressed or implied herein or in any Supplemental Ordinance to the contrary, the covenants of the Borrower set forth in this Section 406 shall survive the payment in full and/or defeasance of all Outstanding Series One Bonds or any particular issue of Series One Bonds.

Section 407. Investment of Moneys in Accounts. Subject to the restrictions hereinafter set forth in this Section and compliance with the provisions of Section 3.3 of the Series One Loan Agreement and notwithstanding the provisions of any other ordinance of the Issuer:

(i) any moneys held in the Series One Subaccount of the 1989 Construction Account shall be invested and reinvested by the 1989 Trustee upon the written instructions of the Borrower in Investment Securities, maturing no later than the date on which it is estimated that such moneys will be required to be paid out hereunder; and

(ii) any moneys held in the Series One Subaccount of the 1989 Debt Service Account shall be invested and reinvested by the 1989 Trustee upon the written instructions of the Borrower in Permitted Investments, maturing no later than the date on which it is estimated that such moneys will be required to be paid out hereunder.

The 1989 Trustee may make any and all such investments through its own investment department. Neither the Issuer nor the 1989 Trustee shall be responsible or liable for the performance of any such investments or for keeping the moneys held by either hereunder fully invested at all times. Any obligations acquired by the 1989 Trustee as a result of such investment or reinvestment shall be held by or under the control of the 1989 Trustee (except for such investments held in book entry form) and shall be deemed to constitute a part of the account from which the moneys used for its purchase were taken. All investment income shall be retained in the Account to which the investment is credited from which such income is derived except to the extent such income is required to be deposited in the Series One Subaccount of the 1989 Rebate Account. Subject to the restrictions on the types of investments permitted to be made from the moneys on deposit in the various Accounts established hereunder, the moneys in each such Account may be co-mingled for purposes of investment.

ARTICLE V

THE 1989 TRUSTEE THE SERIES ONE REMARKETING AGENT AND THE SERIES ONE TENDER AGENT

Section 501. Acceptance by 1989 Trustee. First Interstate Bank of Oregon, N.A., in its capacity as 1989 Trustee under the 1989 Supplemental Ordinance is hereby appointed to act as trustee, Series One Bond Registrar, and Series One Paying Agent for the Series One Bonds under and pursuant to this Series One Supplemental Ordinance. First Interstate Bank of Oregon, N.A. shall evidence acceptance of such appointment and its agreement to perform the duties of 1989 Trustee under this Series One Supplemental Ordinance by means of a written instrument of acceptance signed by its authorized officer and delivered to the Issuer.

Section 502. Responsibilities of 1989 Trustee. Any recitals of fact contained in the Series One Supplemental Ordinance or in the Series One Bonds shall be taken as the statements of the Issuer and no 1989 Trustee assumes any responsibility for the correctness of the same. The 1989 Trustee makes no representations as to the validity or sufficiency of this Series One Supplemental Ordinance or of any Series One Bonds issued hereunder or as to the security afforded by this Series One Supplemental Ordinance, and the 1989 Trustee shall not incur any liability in respect thereof. The 1989 Trustee shall not be under any obligation or duty to perform any act which would involve it in any expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of the next paragraph, the 1989 Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct, or default.

The 1989 Trustee, prior to the occurrence of a Series One Event of Default and after the curing of all Series One Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Series One Supplemental Ordinance. In case a Series One Event of Default has occurred (which has not been cured) the 1989 Trustee shall exercise such of the rights and powers vested in it by this Series One Supplemental Ordinance, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of her own affairs. Any provision of this Series One Supplemental Ordinance relating to action taken or to be taken by the 1989 Trustee or to evidence upon which the 1989 Trustee may rely shall be subject to the provisions of this Article.

Section 503. Evidence on Which 1989 Trustee May Act. The 1989 Trustee, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of this Series One Supplemental Ordinance, shall examine such instrument to determine whether it conforms to the requirements of this Series One Supplemental Ordinance and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. 1989 Trustee may consult with counsel, who may or may not be Bond Counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Series One Supplemental Ordinance in good faith and in accordance therewith.

Whenever 1989 Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Series One Supplemental Ordinance, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Issuer, the 1989 Credit Provider, the Series One Credit Provider, the Series One Remarketing Agent or the Borrower, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Series One Supplemental Ordinance upon the faith thereof; but in its discretion the 1989 Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Except as otherwise expressly provided in this Series One Supplemental Ordinance, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Issuer to 1989 Trustee shall be sufficiently executed in the name of the Issuer by an Authorized Issuer Representative thereof.

Section 504. Compensation. Pursuant to the Series One Loan Agreement, the Borrower shall cause to be paid to the 1989 Trustee from time to time reasonable compensation for all services rendered under this Series One Supplemental Ordinance, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under this Series One Supplemental Ordinance and the 1989 Trustee shall have a lien therefor on any and all funds at any time held by it under this Series One Supplemental Ordinance except with respect to: (i) any monies drawn under the Series One Credit Facility; and (ii) moneys representing the proceeds derived from the Series One Remarketing of any Series One Bonds required to be purchased hereunder.

Section 505. [RESERVED]

Section 506. Resignation of 1989 Trustee. The 1989 Trustee may at any time resign and be discharged of the duties and obligations created by this Series One Supplemental Ordinance (without the requirement that the 1989 Trustee also resign its duties with respect to the Series A Bonds under the 1989 Supplemental Ordinance) by giving not less than sixty (60) days' written notice to the Issuer, the Borrower, the Series One Credit Provider and the 1989 Credit Provider, and mailing notice thereof, postage prepaid, specifying the date when such resignation shall take effect, to each Owner of Series One Bonds then Outstanding at his address appearing upon the registry books of the Issuer, and such resignation shall take effect upon the later to occur of the day specified in such notice or the appointment by the Issuer of a trustee to succeed to the 1989 Trustee's duties under this Series One

Supplemental Ordinance. Any resignation by the 1989 Trustee of its duties under this Series One Supplemental Ordinance shall not take effect until the appointment of a successor trustee.

Section 507. [RESERVED]

Section 508. [RESERVED]

Section 509. [RESERVED]

Section 510. [RESERVED]

Section 511. Series One Tender Agent; Duties of Series One Tender Agent. Until the final maturity of all Series One Bonds which could bear interest at a Variable Rate or a Commercial Paper Rate, there shall be a Series One Tender Agent appointed by the Issuer and subject to direction of the 1989 Trustee in the purchase of Series One Bonds pursuant to Article III and payment of the Purchase Price therefor. Without limiting the foregoing, the Issuer hereby covenants and agrees that prior, and as a condition precedent, to the conversion of the Series One Bonds to a Commercial Paper Rate Period or any Variable Rate Period (other than a Weekly Rate Period), it shall appoint a person or entity other than the Series One Remarketing Agent to act in the capacity of Series One Tender Agent during such Rate Period. First Interstate Bank of Oregon, N.A. is hereby appointed to act as initial Series One Tender Agent hereunder and shall signify its acceptance of such appointment by executing and delivering to the Issuer and the 1989 Trustee an appropriate instrument. Such Series One Tender Agent shall at all times be a bank, trust company or member of the National Association of Securities Dealers, Inc., organized and doing business under the laws of the United States or of any state, with a combined capital and surplus of at least \$75,000,000, or, in the case of any Series One Tender Agent which is not a bank or trust company, whose debt obligations, or the debt obligations of its parent company, shall be rated not lower than "aa/P3" by Moody's, and, except with respect to a member of the National Association of Securities Dealers, Inc., authorized under such laws to exercise corporate trust powers and subject to supervision or examination by Federal or state authority. During any period in which the Series One Bonds are not subject to the Book-Entry System, the Series One Tender Agent must also be an entity having an office in the City and County of New York, New York. If such corporation publishes reports of condition at least annually pursuant to law or the requirements of such authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any corporation into which any Series One Tender Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation, or conversion to which any Series One Tender Agent shall be a party, or any corporation succeeding to the corporate trust business of any Series One Tender Agent, shall be the successor of the Series One Tender Agent hereunder, if such successor corporation is otherwise eligible under this Section, without the execution or filing of any further act on the part of the party or the parties hereto or the Series One Tender Agent or such successor corporation.

Any Series One Tender Agent may resign by giving written notice of resignation to the 1989 Trustee, the Issuer, the Series One Credit Provider, if the Series One Credit Facility is then in effect, and the Borrower. The Issuer may terminate the agency of any Series One Tender Agent by giving written notice of termination to such Series One Tender Agent, the Series One Credit Provider, the Borrower and the 1989 Trustee. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Series One Tender Agent shall cease to be eligible under this Section, the Issuer shall promptly appoint a successor Series One Tender Agent, and shall give written notice of such appointment to the 1989 Trustee, the Series One Credit Provider, the Borrower and the Owners.

No such resignation or removal shall take effect until a successor Series One Tender Agent shall have been appointed and agrees to act in such capacity. If no successor Series One Tender Agent has accepted appointment within 30 days after the Series One Tender Agent has given notice of its resignation as provided above, the Series One Tender Agent may petition any court of competent jurisdiction for the appointment of a temporary successor Series One Tender Agent, *provided that* any Series One Tender Agent so appointed shall immediately and without further act be superseded by any Series One Tender Agent appointed by the Issuer as provided above.

The Issuer will cause a Series One Tender Agent other than the 1989 Trustee to execute and deliver to the 1989 Trustee an instrument in which such Series One Tender Agent shall agree with the 1989 Trustee, subject to the provisions of this Section, that such Series One Tender Agent will:

(i) hold all sums held by it for the payment of the Purchase Price of Series One Bonds in a separate account for the benefit of the Owners of such Series One Bonds until such sums shall be paid to such Owners or otherwise disposed of as herein provided and, if the funds are invested, they shall be invested in Investment Securities at the written request of the Borrower;

(ii) at any time, upon the written request of the 1989 Trustee, forthwith pay to the 1989 Trustee all sums so held by such Series One Tender Agent; and

(iii) observe and perform the obligations of the Series One Tender Agent hereunder.

The 1989 Trustee may at any time, for the purpose of obtaining the satisfaction and discharge of this Series One Supplemental Ordinance or for any other purpose, direct the Series One Tender Agent to pay to the 1989 Trustee all money held by such Series One Tender Agent; and, upon such payment by the Series One Tender Agent to the 1989 Trustee, the Series One Tender Agent shall be released from all further liability with respect to such money.

Section 512. Series One Remarketing Agent. Until the final maturity of all Series One Bonds which could bear interest at a Variable Rate or a Commercial Paper Rate, there shall be a Series One Remarketing Agent selected by the Borrower subject to the conditions set forth in this Section 512. The Series One Remarketing Agent initially appointed hereunder is Donaldson, Lufkin & Jenrette Securities Corporation, which shall signify its acceptance of such appointment by executing and delivering to the Issuer and the 1989 Trustee an appropriate instrument. The Series One Remarketing Agent shall designate to the 1989 Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Issuer, the 1989 Trustee and the Borrower. The Series One Remarketing Agent shall by acceptance of its appointment agree to, and shall, do each of the following:

(a) act as agent for the Borrower in determining the Variable Rates, Commercial Paper Rates and the Fixed Rate, act as agent for Owners in receiving and holding Series One Bonds tendered for purchase and moneys to pay the Purchase Price thereof, and act as agent for the Borrower in performing all other functions as Series One Remarketing Agent under the Series One Supplemental Ordinance;

(b) hold all Series One Bonds delivered to it by the Series One Tender Agent in trust for the benefit of the respective Owners which shall have so delivered such Series One Bonds to the Series One Tender Agent until moneys representing the Purchase Price of such Series One Bonds shall have been delivered to or for the account of or to the order of such Owners;

(c) hold all moneys delivered to it hereunder for the purchase of Series One Bonds in trust for the benefit of the person which shall have so delivered such moneys until the Series One Bonds purchased with such moneys shall have been delivered to or for the account of such person, and not co-mingle such moneys with other funds of the Series One Remarketing Agent;

(d) keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the Issuer, the Series One Credit Provider, the 1989 Trustee and the Borrower at all reasonable times; and

(e) perform the duties of Series One Remarketing Agent and comply with the provisions applicable to such duties set forth in Articles II and III hereof.

The Series One Remarketing Agent shall be a commercial bank or a member of the National Association of Securities Dealers, Inc., having an office in New York, New York, and a capitalization of at least \$75,000,000 and authorized by law to perform all the duties imposed upon it by this Series One Supplemental Ordinance.

The Series One Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Series One Supplemental Ordinance by giving at least 60 days' written notice to the Issuer, the Borrower, the Series One Credit Provider and the 1989 Trustee, but any such resignation shall not be effective until a successor is appointed. The Series One Remarketing Agent may be removed at any time by the Borrower. In the event of any resignation or removal of the Series One Remarketing Agent, a successor Series One Remarketing Agent shall be appointed by the Borrower. No removal of the Series One Remarketing Agent shall be effective until a successor is appointed and has accepted such appointment.

In the event of the resignation or removal of the Series One Remarketing Agent, the Series One Remarketing Agent shall pay over, assign and deliver any moneys and Series One Bonds held by it in such capacity to its successor.

Section 513. 1989 Trustee's Liability for Series One Tender Agent and Series One Remarketing Agent. Notwithstanding anything contained herein to the contrary, the 1989 Trustee shall not be liable for any failure of the Series One Tender Agent or the Series One Remarketing Agent to perform in accordance with the Series One Supplemental Ordinance any duty required or authorized herein to be performed by such person.

ARTICLE VI

THE SERIES ONE CREDIT FACILITY

Section 601. The Series One Credit Facility.

(a) **Series One Credit Facility to be Held as Security for the Series One Bonds.** The Series One Credit Facility and all moneys drawn thereunder shall be held by the 1989 Trustee in trust for the sole and exclusive benefit of the Owners of the Series One Bonds (other than a Credit Purchased Bond) as security for the payment of the pecuniary obligations which, in accordance with the terms of the Series One Credit Facility, are permitted to be satisfied from moneys drawn under the Series One Credit Facility and, notwithstanding anything expressed or implied in the Ordinance to the contrary, are not to be held for the benefit of the 1989 Credit Provider or the owners of Series A Bonds and the 1989 Credit Provider and the owners of Series A Bonds shall have no right or claim thereto.

(b) **No Surrender or Transfer of Series One Credit Facility.** The 1989 Trustee shall not sell, assign or transfer the Series One Credit Facility except to a successor trustee. In addition, the 1989 Trustee shall not terminate the Series One Credit Facility or surrender the Series One Credit Facility to the related Series One Credit

Provider except (i) upon the expiration of the Series One Credit Facility in accordance with its terms or (ii) upon the delivery to the 1989 Trustee of an Alternate Credit Facility in replacement therefor.

(c) Rights and Duties under Series One Credit Facility. The 1989 Trustee is hereby instructed, without further direction, to draw amounts under the Series One Credit Facility in accordance with the terms and conditions set forth therein at the times, in the manner and for the purposes set forth in this Series One Supplemental Ordinance. The Issuer agrees that the 1989 Trustee in its name or in the name of the Issuer may enforce all rights of the 1989 Trustee and of the Issuer and all obligations of the related Series One Credit Provider (including the obligation of such Series One Credit Provider to honor drafts duly presented in accordance with the terms and conditions of the Series One Credit Facility) under and pursuant to the Series One Credit Facility for the benefit of the Owners of the Series One Bonds. The 1989 Trustee agrees to assume and perform the duties and obligations contemplated under the Series One Credit Facility to be assumed and performed by the 1989 Trustee.

Section 602. Draws Under the Series One Credit Facility.

(a) Draws to Pay Principal, Premium and Interest on the Series One Bonds. To the full extent permitted under the terms of the Series One Credit Facility then in effect, on or before each Interest Payment Date for the Series One Bonds, the 1989 Trustee shall draw under the Series One Credit Facility securing such Series One Bonds an amount sufficient to pay in full all amounts of principal of, premium (if any, and if covered under the Series One Credit Facility) and interest on such Series One Bonds due on such Interest Payment Date, which draw shall be made at such time and on such date as shall ensure that the moneys so drawn will be received by the 1989 Trustee in time to duly pay all amounts required to be paid on such Series One Bonds on such Interest Payment Date; *provided that* in no event shall moneys be drawn under any Series One Credit Facility for the purpose of paying any amounts owing under any Credit Purchased Bonds.

(b) Draws to Pay Purchase Price. In addition, to the full extent permitted under the terms of the Series One Credit Facility then in effect, the 1989 Trustee shall draw moneys under the Series One Credit Facility securing particular Series One Bonds in accordance with the terms thereof to the extent necessary to make timely payments of the Purchase Price of such Series One Bonds required to be made pursuant to, and in accordance with, Article III hereof, as appropriate.

(c) Deposit of Moneys Received Under Series One Credit Facility. All moneys received by the 1989 Trustee under the Series One Credit Facility shall be held by the 1989 Trustee in a separate, segregated account established for such purpose and shall not be co-mingled with any other moneys held by the 1989 Trustee and may only be invested in Government Obligations which mature or are subject to redemption at the holders' option not later than the earlier of 30 days from the date of investment or the date upon which they will be needed for the purposes from which such moneys were drawn. All moneys received by the 1989 Trustee under the Series One Credit Facility shall be used solely and only for the purpose of paying, to the Owners or former Owners of the Series One Bonds entitled thereto, the amounts for which such moneys were drawn.

Section 603. Subrogation Rights of the Series One Credit Provider. If the Series One Credit Facility is drawn upon to pay principal of, premium (if any) or interest on any Series One Bonds, the related Series One Credit Provider shall be subrogated to the rights of the Owners of such Series One Bonds to receive the principal of, premium (if any) and interest on such Series One Bond (as the case may be) which has been paid from the proceeds of a draw under the Series One Credit Facility.

Section 604. Alternate Credit Facility.

(a) Surrender of Series One Credit Facility In Connection With Alternate Credit Facility. If at any time there shall be delivered to the 1989 Trustee an Alternate Credit Facility in accordance with this Section

604, then the 1989 Trustee shall accept such Alternate Credit Facility and on the effective date of such Alternate Credit Facility the 1989 Trustee shall promptly surrender the Series One Credit Facility then in effect for which such Alternate Credit Facility is given in replacement to the Series One Credit Provider which issued such Series One Credit Facility in accordance with its terms for cancellation.

(b) Requirements for Alternate Credit Facility. Subject to the limitations set forth herein and except as may be otherwise expressly provided in and subject to the terms and conditions of the Series One Credit Agreement, the Borrower may, at any time and from time to time, deliver or cause to be delivered to the 1989 Trustee an Alternate Credit Facility, which Alternate Credit Facility may, but need not be, given in complete or partial substitution for or replacement of the Series One Credit Facility or any Alternate Credit Facility then in effect with respect to all or any of the Series One Bonds.

No Alternate Credit Facility shall be deemed to meet the requirements of this Section 604, nor shall the 1989 Trustee accept any Alternate Credit Facility, unless such Alternate Credit Facility has a term of not less than one year. Except as otherwise provided in this Section 604, the 1989 Trustee shall accept any such Alternate Credit Facility.

If the effective date of any Alternate Credit Facility is a date on which the Owners of the Series One Bonds do not have the right to require the Series One Tender Agent to purchase such bonds pursuant to Article III hereof, the Borrower may not substitute, and the 1989 Trustee shall not accept, any Alternate Credit Facility in complete or partial substitution for or replacement of the Series One Credit Facility or any Alternate Credit Facility then in effect, unless the 1989 Trustee shall receive, not less than 25 days prior to the proposed effective date of the substitute Alternate Credit Facility, written evidence that, upon the substitution of such Alternate Credit Facility, the Series One Bonds will be rated in the same (or higher) rating category by the Rating Agencies as such bonds are rated immediately prior to such substitution; *provided that*, for purposes of the foregoing limitation, neither the extension of the term of or the renewal of an existing Series One Credit Facility or Alternate Credit Facility, nor the delivery to the 1989 Trustee of an Alternate Credit Facility in replacement of and issued by the issuer of an existing Series One Credit Facility or Alternate Credit Facility within 60 days prior to the stated expiration date thereof, shall be deemed to be a substitution for or replacement of the Series One Credit Facility or Alternate Credit Facility which is being extended, renewed or so replaced. The Borrower may not substitute, and the 1989 Trustee shall not accept, any Alternate Credit Facility without having received the prior written consent of the 1989 Credit Provider to the substitution.

(c) Notice of Substitution of Alternate Credit Facility. Not less than 20 days prior to the effective date of an Alternate Credit Facility to be given pursuant to this Section 604, the 1989 Trustee shall give notice by mail to the Owners of all affected Outstanding Series One Bonds, which notice shall:

(i) describe generally the Series One Credit Facility or Alternate Credit Facility, if any, then in effect;

(ii) describe generally the Alternate Credit Facility proposed to be given and the effective date of such Alternate Credit Facility;

(iii) the rights of such Owners, if any, to have such Series One Bonds purchased on or before the effective date of such Alternate Credit Facility; and

(iv) the ratings, if any, to be assigned to the Series One Bonds by the Rating Agencies upon the substitution of such Alternate Credit Facility.

ARTICLE VII

**SERIES ONE EVENTS OF DEFAULT
AND REMEDIES**

Section 701. Series One Events of Default.

(a) Series One Events of Default. The occurrence of any one or more of the following shall constitute a Series One Event of Default:

(i) default in the due and punctual payment of the principal of, premium (if any) or interest on any Series One Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise;

(ii) default by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part contained in this Series One Supplemental Ordinance and which relate to the Issuer's obligations with respect to the Series One Bonds, which default shall continue for a period of sixty (60) days after written notice thereof to the Issuer by the 1989 Trustee or to the Issuer and to the 1989 Trustee by the Owners of not less than fifty percent (50%) in principal amount of the Series One Bonds Outstanding;

(iii) default by the Borrower in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Series One Loan Agreement and which relate to the Borrower's obligations with respect to the Series One Bonds, which default shall continue for a period of 30 days after written notice specifying such failure and requesting that it be remedied, given to the Borrower by the Issuer or the 1989 Trustee or by the Owners of not less than fifty percent (50%) in principal amount of the Series One Bonds Outstanding; *provided, however, that* if said default shall be such that it cannot be corrected within such period, it shall not constitute a Series One Event of Default if, in the opinion of the 1989 Trustee, it is correctable without material adverse effect on the Series One Bonds and if corrective action is instituted by the Borrower within such period and diligently pursued until the default is corrected;

(iv) an Act of Bankruptcy of the Borrower or the Series One Credit Provider providing the Series One Credit Facility with respect to the Series One Bonds;

(v) written notice shall have been received by the 1989 Trustee from the Series One Credit Provider providing the Series One Credit Facility with respect to the Series One Bonds that an Event of Default has occurred under and as defined in the Series One Credit Agreement with respect to the Borrower's obligations relating to the Series One Bonds and directing the 1989 Trustee to effect a mandatory purchase of the Series One Bonds pursuant to Section 305(c) hereof; and

(vi) the failure or refusal of the Series One Credit Provider to honor a proper demand for payment under the Series One Credit Facility securing the Series One Bonds, or if the Series One Credit Facility securing the Series One Bonds becomes invalid or unenforceable.

(b) Limitations on Actions and Remedies Following Series One Event of Default. The occurrence and continuation of a Series One Event of Default shall not constitute a Series A Event of Default under the 1989 Supplemental Ordinance nor shall the occurrence and continuation of a Series One Event of Default permit the 1989 Trustee, the Series One Credit Provider or the Owners of the Series One Bonds to take any action that disturbs in any way the lien, or the priority of the lien, on the Series A Trust Estate granted as security for the Series A Bonds as set forth in Section 103 of the 1989 Supplemental Ordinance. Upon the occurrence and continuation of a Series One Event of Default, the sole remedy of the 1989 Trustee and the Owners of the Series One Bonds shall be to enforce their rights with respect to the Series One Trust Estate, and except to the extent that it may be an Owner of Series One Bonds, the Series One Credit Provider shall have no rights with respect to the Series One Trust Estate. The occurrence of a Series A Event of Default shall not constitute a Series One Event of Default nor give rise to the right of the 1989 Trustee, the Series One Credit Provider or the Owners of the Series One Bonds to exercise any remedy available hereunder as a result of such Event of Default.

(c) Limitations on the Commencement of Suits. NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY, SO LONG AS THE 1989 CREDIT FACILITY REMAINS IN EFFECT OR ANY AMOUNTS REMAIN OUTSTANDING UNDER THE 1989 CREDIT AGREEMENT (IRRESPECTIVE OF WHETHER SUCH AMOUNTS ARE THEN DUE AND PAYABLE), EACH OWNER OF THE SERIES ONE BONDS AND THE 1989 TRUSTEE MAY NOT COMMENCE, BRING, MAINTAIN, JOIN OR IN ANY OTHER WAY PARTICIPATE (EXCEPT AS A NAMED DEFENDANT) IN ANY PROCEEDING, ACTION OR SUIT, AT LAW OR IN EQUITY, AGAINST THE BORROWER OR AGAINST ANY OF ITS PROPERTIES OR REVENUES BEFORE ANY COURT, GOVERNMENTAL DEPARTMENT, COMMISSION, BOARD, BUREAU, INSTRUMENTALITY OR AGENCY OR ARBITRATOR BY REASON OF THE OCCURRENCE OF ANY SERIES ONE EVENT OF DEFAULT INCLUDING, WITHOUT LIMITATION, BY REASON OF THE BORROWER'S FAILURE TO MAKE SERIES ONE LOAN REPAYMENTS UNDER THE SERIES ONE LOAN AGREEMENT. THE BORROWER WAIVES AND/OR EXTENDS ALL STATUTES OF LIMITATIONS APPLICABLE TO ANY SUCH CLAIMS THROUGHOUT THE ENTIRE PERIOD DURING WHICH THE IMMEDIATELY PRECEDING SENTENCE SHALL BE IN EFFECT. The restrictions on actions against the Borrower described above in this Section 701(c) shall in no way preclude the 1989 Trustee from exercising its rights and remedies against the Series One Credit Provider to honor a conforming draw under the Series One Credit Facility.

(d) Acceleration. So long as a Series One Event of Default shall be continuing, unless the principal of all the Series One Bonds shall have already become due and payable, the 1989 Trustee (by notice in writing to the Issuer) may, and upon the written request of the Owners of not less than fifty percent (50%) in principal amount of the Series One Bonds Outstanding (by notice in writing to the Issuer, the Borrower, the Series One Credit Provider and the 1989 Trustee), shall declare the principal of all the Series One Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in this Series One Supplemental Ordinance or in any of the Series One Bonds contained to the contrary notwithstanding; *provided, however, that only the Series One Credit Provider shall direct the 1989 Trustee to declare a default upon the occurrence of a Series One Event of Default described in Section 701(a)(v).* The right of the 1989 Trustee or of the Owners of not less than fifty percent (50%) in principal amount of Series One Bonds then Outstanding to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Series One Bonds shall have matured by their terms, all overdue installments of interest upon the Series One Bonds, together with interest on such overdue installments of interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the 1989 Trustee, and all other sums then payable by the Issuer or the Borrower under this Series One Supplemental Ordinance (except the principal of, and interest accrued since the next preceding Interest Payment Date on, the Series One Bonds due and payable solely by virtue of such declaration) shall be paid for the account of the Issuer or provision satisfactory to the 1989 Trustee shall be made for such payment, and all defaults under the Series One Bonds or under this Series One Supplemental Ordinance (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be cured or be secured to the satisfaction of the 1989 Trustee

or provision deemed by the 1989 Trustee to be adequate shall be made therefor, then and in every such case the 1989 Trustee, by written notice to the Issuer, the Borrower, the Series One Credit Provider and the Owners of the Series One Bonds, or the Owners of fifty percent (50%) in principal amount of the Series One Bonds Outstanding, by written notice to the Issuer, the Borrower, the Series One Credit Provider and to the 1989 Trustee, may rescind such declaration and annul such default in its entirety, but no such rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

(e) Transfer of Moneys to the Series One Subaccount of the 1989 Debt Service Account Upon Occurrence of Series One Event of Default. Provided that the 1989 Credit Facility is no longer in effect and no amounts remain outstanding thereunder (irrespective of whether such amounts are then due and payable), immediately upon the occurrence of a Series One Event of Default, all moneys and investments on deposit in the Series One Subaccount of the 1989 Construction Account held by the 1989 Trustee hereunder shall be transferred to the Series One Subaccount of the 1989 Debt Service Account for application as provided in Section 703 hereof; *provided that* if, following such transfer, the Series One Event of Default shall have been duly waived or cured in accordance with the terms hereof and all existing Series One Credit Facilities have been reinstated or replaced with Alternate Credit Facilities, the remaining moneys and investments then on deposit in the Series One Subaccount of the 1989 Debt Service Account shall be transferred, *pro rata* (based on the amounts transferred from the various Series One Subaccounts to the Series One Subaccounts of the 1989 Debt Service Account), back to the various Series One Subaccounts from which they were derived. In the event the 1989 Credit Facility is in effect or amounts remain outstanding thereunder (irrespective of whether such amounts are then due and payable), the foregoing provisions of this Section 701(d) shall be of no effect, and immediately upon the occurrence of a Series One Event of Default, all monies and investments on deposit in the Series One Subaccount of the 1989 Construction Account with the 1989 Trustee hereunder shall be transferred to that part of the 1989 Construction Account not contained within the Series One Subaccount of the 1989 Construction Account and treated in the manner specified in the 1989 Supplemental Ordinance.

Section 702. Accounting and Examination of Records After Default and Assignment of Contracts. The Issuer covenants that if an Series One Event of Default shall have happened and shall not have been remedied, the books of record and accounts of the Issuer and all other records relating to the Series One Bonds shall at all times be subject to the inspection and use of the 1989 Trustee and the Series One Credit Provider and of their respective agents and attorneys.

Section 703. Application of Revenues and Other Moneys After Default. During the continuance of a Series One Event of Default, the 1989 Trustee shall apply the Series One Trust Estate, including all moneys derived from the liquidation thereof received by the 1989 Trustee pursuant to any right given or action taken under the provisions of this Article, as follows and in the following order:

(i) Rebate Payments - to the payment of any amounts required to be rebated to the United States of America in accordance with the covenants in Section 406 hereof;

(ii) Expenses of the 1989 Trustee - to the payment of the reasonable and proper charges, expenses and liabilities of the 1989 Trustee incurred in connection with the Series One Bonds;

(iii) Payment of Series One Bonds - subject to the provisions of the Amended and Restated Intercreditor Agreement, to the payment of the interest on and principal of the Series One Bonds then due as follows:

(A) unless the principal of all of the Series One Bonds shall have become or have been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest then due on the Series One Bonds, together with accrued and unpaid interest on the Series One Bonds theretofore called for redemption, and, if the amount available shall not be sufficient to pay in full any installment or installments, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

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

(B) if the principal of all of the Series One Bonds shall have become or have been declared due and payable, first to the payment of the principal and interest then due and unpaid upon the Series One Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Series One Bond over any other Series One Bond, ratably, according to the amounts due respectively or principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Series One Bonds;

Provided that, notwithstanding anything expressed or implied herein to the contrary, all moneys drawn by or paid to the 1989 Trustee under the Series One Credit Facility following a Series One Event of Default shall only be used for the purpose of paying the principal of and interest on the Series One Bonds secured thereby.

Section 704. [RESERVED]

Section 705. Proceedings Brought by 1989 Trustee. Subject to the terms and provisions of Section 701(c) hereof and the Amended and Restated Intercreditor Agreement, if a Series One Event of Default shall happen and shall not have been remedied, then and in every such case, the 1989 Trustee, by its agents and attorneys, may proceed, and upon written request of the Owners of not less than twenty-five percent (25%) in principal amount of the Series One Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Owners of the Series One Bonds, under this Series One Supplemental Ordinance forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted or any remedy granted under the Act or at law, or in the enforcement of and other legal or equitable right as the 1989 Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under this Series One Supplemental Ordinance; *provided that* no action taken by the 1989 Trustee as a result of a Series One Event of Default shall in any way disturb the lien, or the priority of the lien, on the Series A Trust Estate granted as security for the Series A Bonds hereunder or the application of the proceeds of the Series A Trust Estate as provided in 1989 Supplemental Ordinance.

All rights of action under this Series One Supplemental Ordinance may be enforced by the 1989 Trustee without the possession of any of the Series One Bonds or the production thereof on the trial or other proceedings, and any such suit or proceedings instituted by the 1989 Trustee shall be brought in its name.

Subject to the terms and provisions of Section 701(c) hereof and the Amended and Restated Intercreditor Agreement, the Owners of not less than a majority in principal amount of the Series One Bonds at the time

Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the 1989 Trustee as a result of a Series One Event of Default, or of exercising any trust or power conferred upon the 1989 Trustee following a Series One Event of Default, *provided that* the 1989 Trustee shall have the right to decline to follow any such direction if the 1989 Trustee shall not be provided adequate security and indemnity or shall be advised by counsel that the action or proceeding so directed may not lawfully be taken or shall be inconsistent with the provisions of this Series One Supplemental Ordinance, or if the 1989 Trustee in good faith shall determine that the action or proceeding so directed would involve the 1989 Trustee in personal liability or be unjustly prejudicial to the Owners of the Series One Bonds not parties to such direction.

Subject to the terms and provisions of Section 701(c) hereof and the Amended and Restated Intercreditor Agreement, regardless of the happening of a Series One Event of Default, the 1989 Trustee shall have power to, but unless requested in writing by the Owners of a majority in principal amount of the related Series One Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation, to institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under this Series One Supplemental Ordinance by any acts which may be unlawful or in violation of this Series One Supplemental Ordinance, and such suits and proceedings as the 1989 Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of Owners of the related Series One Bonds.

Section 706. Restriction on Owner's Action. No Owner of any Series One Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of this Series One Supplemental Ordinance or the execution of any trust under this Series One Supplemental Ordinance or for any remedy under this Series One Supplemental Ordinance, unless (but in any event subject to the terms and provisions of Section 701(c) hereof) such Owner shall have previously given to the 1989 Trustee written notice of the happening of a Series One Event of Default, as provided in this Article, and the Owners of at least 25% in principal amount of the Series One Bonds then Outstanding shall have filed a written request with the 1989 Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in this Series One Supplemental Ordinance or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the 1989 Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the 1989 Trustee shall have refused to comply with such request for a period of sixty (60) days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Series One Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by this Series One Supplemental Ordinance, or to enforce any right under this Series One Supplemental Ordinance, except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of this Series One Supplemental Ordinance shall be instituted, had and maintained in the manner provided in this Series One Supplemental Ordinance and for the equal benefit of the Owners of the Outstanding Series One Bonds, subject only to the provisions of Sections 701(c) and 702.

Except for Section 701(c) hereof, nothing in this Series One Supplemental Ordinance or in the Series One Bonds shall affect or impair the obligation of the Issuer, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of (and premium, if any) and interest on the Series One Bonds to the respective Owners thereof (but solely out of the Series One Trust Estate), or affect or impair the right of action, which is also absolute and unconditional, of any Owner to enforce such payment of her Series One Bond.

Section 707. Not Exclusive. No remedy by the terms of this Series One Supplemental Ordinance conferred upon or reserved to the 1989 Trustee or the Owners is intended to be exclusive of any other remedy, but each and every such remedy shall, subject to Section 701(c) hereof, be cumulative and shall be in addition to every other remedy given under this Series One Supplemental Ordinance or existing at law, including under the Act, or in equity or by statute on or after the effective date of this Series One Supplemental Ordinance.

Section 708. Effect of Waiver and Other Circumstances. No delay or omission of the 1989 Trustee or any Owner to exercise any right or power arising upon the happening of a Series One Event of Default

shall impair any right or power or shall be construed to be a waiver of any such Series One Event of Default or be an acquiescence therein; and every power and remedy given by this Article to the 1989 Trustee or to the Owners may be exercised from time to time and as often as may be deemed expedient by the 1989 Trustee or by the Owners.

Prior to the acceleration of maturity of the Series One Bonds as provided in Section 701, the Owners of not less than a majority in principal amount of the Series One Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all Series One Bonds waive any past default with respect to the Series One Bonds under this Series One Supplemental Ordinance and its consequences, except a default in the payment of interest on or principal of or premium (if any) on any of the Series One Bonds. No such waiver shall extend to any subsequent or other default with respect to the Series One Bonds or impair any right consequent thereon.

Section 709. Termination of Proceedings. In case any proceeding taken by the Series One Trustee on account of any Series One Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the 1989 Trustee or the Owners, the Issuer, the 1989 Trustee, the Borrower, the related Series One Credit Provider and the Owners shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the 1989 Trustee, the related Series One Credit Provider and the Owners shall continue as if no such proceeding had been taken.

Section 710. Notice of Default. The 1989 Trustee shall notify the Series One Credit Provider of the happening of a Series One Event of Default and the Series One Bond Registrar shall promptly mail written notice of the occurrence of any Series One Event of Default to each Owner of Series One Bonds then Outstanding at his address, if any, appearing upon the registry books of the Issuer.

Section 711. Series One Credit Provider's Rights Upon Series One Events of Default. Notwithstanding that the Series One Credit Provider in its capacity thereof (and not in its capacity as an Owner of the Series One Bonds) has no right in the Series One Trust Estate and notwithstanding anything in this Series One Supplemental Ordinance to the contrary, if any Series One Event of Default hereof has occurred and is continuing, the issuer of the Series One Credit Facility securing the Series One Bonds shall have the right, in lieu of the Owners of the affected bonds secured by said Series One Credit Facility, by an instrument in writing, executed and delivered to the 1989 Trustee, to direct the time, method and place of conducting all remedial proceedings available to the 1989 Trustee under this Series One Supplemental Ordinance, or exercising any trust or power conferred on the 1989 Trustee by this Series One Supplemental Ordinance, *provided that* the 1989 Trustee shall have the right to decline to follow any such direction if the 1989 Trustee shall not be provided adequate security and indemnity or shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the 1989 Trustee in good faith shall determine that the action or proceeding so directed would involve the 1989 Trustee in personal liability. Said direction shall be controlling to the extent the direction of the Owners of Series One Bonds secured by said Series One Credit Facility would have been controlling under this Article. Notwithstanding the foregoing, no Series One Credit Provider shall be entitled to exercise any rights under this Section 711 during any period when:

(i) the Series One Credit Facility issued by such Series One Credit Provider shall not be in full force and effect (other than by reason of the Series One Credit Facility having expired due to all available amounts having been drawn and paid thereunder) or such Series One Credit Provider shall have failed or refused for any reason to honor a proper demand for payment under such Credit Facility issued thereby;

(ii) such Series One Credit Provider shall have filed a petition or otherwise sought relief under any federal or state bankruptcy or similar law; or

(iii) an order or decree shall have been entered, with the consent or acquiescence of such Series One Credit Provider, appointing a receiver or receivers of the assets of such Series One Credit Provider, or if

such order or decree having been entered without the consent or acquiescence of such Series One Credit Provider, shall not have been vacated or discharged or stayed within ninety (90) days after the entry thereof.

ARTICLE VIII

AMENDMENTS TO SERIES ONE SUPPLEMENTAL ORDINANCE AND SERIES ONE LOAN AGREEMENT

Section 801. Amendments Effective Without Consent of Owners. For any one or more of the following purposes and at any time or from time to time and subject to the conditions set forth in Sections 908 and 909 of this Series One Supplemental Ordinance, the Issuer may enact an ordinance amending, modifying or supplementing this Series One Supplemental Ordinance without the consent of Owners:

(1) To add to the covenants and agreements of the Issuer in this Series One Supplemental Ordinance, other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with this Series One Supplemental Ordinance as theretofore in effect;

(2) To add to the limitations and restrictions in this Series One Supplemental Ordinance, other limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with this Series One Supplemental Ordinance as theretofore in effect;

(3) With the prior written Opinion of Bond Counsel that to do so will not adversely affect the status of Series One Bonds issued as Tax-Exempt Obligations (as defined in the Master Ordinance), to authorize, in compliance with all applicable law, Series One Bonds to be issued in the form of coupon bonds registrable as to principal only and, in connection therewith, specify and determine the matters and things relative to the issuance of such coupon bonds, including provisions relating to the timing and manner of provision of any notice required to be given hereunder to the holders of such coupon bonds, which are not contrary to or inconsistent with this Series One Supplemental Ordinance as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such coupon bonds;

(4) To modify, amend or supplement this Series One Supplemental Ordinance in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualification of the Series One Bonds for sale under the securities laws of any of the states of the United States of America;

(5) To add additional security as part of the Series One Trust Estate subject to the pledge and lien of this Series One Supplemental Ordinance;

(6) To provide any Tax Covenants not provided by this Series One Supplemental Ordinance or to modify in any respect any Tax Covenant so as to conform to the then applicable requirements of the Code or to delete or restrict the applicability of any Tax Covenant which, under the Code as then in effect, is no longer applicable to all or any Series One Bonds issued or to be issued hereunder;

(7) To surrender any right, power or privilege reserved to or conferred upon the Issuer by the terms of this Series One Supplemental Ordinance, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Issuer contained in this Series One Supplemental Ordinance;

(8) To confirm, as further assurance, any security interest or pledge created under this Series One Supplemental Ordinance;

(9) To cure any ambiguity, supply any omission, or cure or correct any defect, mistake or error or inconsistent provision in this Series One Supplemental Ordinance;

(10) To insert such provisions clarifying matters or questions arising under this Series One Supplemental Ordinance as are necessary or desirable and are not contrary to or inconsistent with this Series One Supplemental Ordinance as thereto for in effect; or

(11) To modify any of the provisions of this Series One Supplemental Ordinance in any other respect whatever, *provided that*:

(i) no Series One Bonds shall be Outstanding at the date of the adoption of such supplemental ordinance; or

(ii) (a) such modification shall be, and be expressed to be, effective only after all Series One Bonds Outstanding at the date of the adoption of such Supplemental Ordinance shall cease to be Outstanding, and (b) such modifying ordinance shall be specifically referred to in the text of all Series One Bonds authenticated and delivered after the date of the adoption of such ordinance and of Series One Bonds issued in exchange therefor or in place thereof; or

(12) To make any change required by the Rating Agencies as a precondition to the issuance of a rating on any Series One Bonds which is not to the prejudice of the Owners of any other the Series One Bonds; or

(13) So long as a Series One Credit Facility is in full force and effect with respect to any Series One Bonds affected by such supplemental ordinance, to make any other change which is consented to in writing by the Series One Credit Provider other than any change which:

(A) would result in a downgrading or withdrawal of the rating then assigned to the affected Series One Bonds by the Rating Agencies; or

(B) changes the Stated Maturity (except as expressly permitted herein), the Interest Payment Dates, interest rates, redemption and purchase provisions, and provisions regarding notices of redemption, purchase and tender applicable to the affected Series One Bonds.

Section 802. Supplemental Ordinances Effective With Consent of Owners. At any time or from time to time, the Issuer may enact an ordinance amending, modifying or supplementing this Series One Supplemental Ordinance subject to consent by Owners in accordance with and subject to the provisions of Article IX, which ordinance, upon compliance with the provisions of said Article IX, shall become fully effective in accordance with its terms as provided in said Article IX.

Section 803. General Provisions. Any ordinance amending, modifying or supplementing this Series One Supplemental Ordinance referred to and permitted or authorized by Section 801 may be enacted by the Issuer

without the consent of any of the Owners, but shall become effective only on the conditions, to the extent and at the time provided in said Section. The copy of every ordinance amending, modifying or supplementing this Series One Supplemental Ordinance shall be placed on file with the 1989 Trustee and the Series One Credit Provider and shall be accompanied by an Opinion of Bond Counsel stating that such ordinance:

(i) has been duly and lawfully enacted by the Issuer in accordance with the provisions of this Series One Supplemental Ordinance, is authorized or permitted by this Series One Supplemental Ordinance, and is valid and binding upon the Issuer and enforceable in accordance with its terms; and

(ii) will not adversely affect the maintenance of any existing exclusion of interest payable on the Series One Bonds issued as Tax-Exempt Obligations (as defined in the Master Ordinance) from gross income for federal income tax purposes.

The 1989 Trustee is hereby authorized to accept the delivery of a certified copy of any ordinance amending, modifying or supplementing this Series One Supplemental Ordinance referred to and permitted or authorized by Sections 801 or 802 and to make all further agreements and stipulations which may be therein contained, and the 1989 Trustee, in taking such action, shall be fully protected in relying on an Opinion of Bond Counsel that such ordinance is authorized or permitted by the provisions of this Series One Supplemental Ordinance.

No ordinance amending, modifying or supplementing this Series One Supplemental Ordinance shall change or modify any of the rights or obligations of the 1989 Trustee, any Series One Credit Provider, the Series One Remarketing Agent or the Series One Tender Agent without the prior written consent of such parties.

Section 804. Amendments of Series One Loan Agreement. With the prior written consent of the Series One Credit Provider, in the event it has a material adverse affect on the rights or duties of the Series One Credit Provider, but without the consent of the 1989 Trustee or any Owners, upon delivery to the 1989 Trustee and the Series One Credit Provider of an Opinion of Bond Counsel, the Issuer and the Borrower may enter into an agreement modifying, amending or supplementing in any respect the terms and provisions of the Series One Loan Agreement; *provided that* without the prior written consent of the Owners of 100% in aggregate principal amount of the Series One Bonds affected thereby, no such agreement may be entered into by the Issuer and the Borrower which diminishes the amount of the Series One Loan Repayments or the obligation of the Borrower to make such Series One Loan Repayments.

ARTICLE IX

NOTICES AND CONSENTS

Section 901. Mailing of Notice.

(a) **Notice to Owners.** Any provision in this Series One Supplemental Ordinance for the mailing of a notice or other materials to Owners shall be fully complied with if it is mailed postage prepaid only (i) to each registered owner of Series One Bonds then Outstanding at his address appearing upon the registry books of the Issuer and (ii) to the 1989 Trustee and the Series One Credit Provider.

(b) **Notice to Other Parties.** Any provision in this Series One Supplemental Ordinance for the mailing of a notice or other materials to the Issuer, the 1989 Trustee, the 1989 Credit Provider, the Borrower, the Series One

Tender Agent, the Series One Remarketing Agent or the Series One Credit Provider shall be fully complied with if it is mailed postage prepaid to the following addresses or to such other address as the Issuer, the 1989 Trustee, the Borrower, the Series One Tender Agent, the Series One Remarketing Agent or the Series One Credit Provider shall hereafter specify in writing to each of the other parties:

- To the Issuer:** Metropolitan Service District
2000 SW First
Portland, Oregon 97201
Attention: Director of Finance and Administration
- To the 1989 Trustee:** First Interstate Bank of Oregon, N.A.
Corporate Financial Services T-10
1300 S.W. Fifth Avenue
Portland, Oregon 97201
- To the 1989 Credit Provider:** Credit Suisse
100 Wall Street, 14th Floor
New York, New York 10005
Attention: Public Finance Department
- To the Series One Credit Provider:** United States National Bank of Oregon
International Banking Division
309 S.W. Sixth Avenue
Portland, Oregon 97204
Attention: Tom Zwald
- To the Series One Remarketing Agent:** Donaldson, Lufkin & Jenrette Securities Corporation
140 Broadway
New York, New York 10005
Attention: Mr. Kevin Cassedy
- | | | |
|--|---|--|
| To the Series One Tender Agent: | During Any Weekly
Rate Period: | During Any
Other Rate Period: |
| | First Interstate Bank of
Oregon, N.A.
Corporate Financial
Services
1300 S.W. Fifth Avenue
Portland, Oregon 97201 | Such address as the
Series One Tender
Agent for such
Rate Period shall specify. |
- To the Borrower:** Riedel Oregon Compost Company, Inc.
4611 N. Channel Avenue
P.O. Box 5007
Portland, Oregon 97208 (street address) 97208-5007 (P.O. Box)
Attention: Chief Financial Officer

To Moody's:

99 Church Street
New York, New York 10007
Attention: Public Finance Department, Structured Finance Group

Section 902. Powers of Amendment. Subject to the conditions set forth in Sections 908 and 909 of this Series One Supplemental Ordinance, any modification or amendment of this Series One Supplemental Ordinance and of the rights and obligations of the Issuer and of the Owners of the Series One Bonds, in any particular other than for the purposes set forth in Section 801 may be made by an ordinance duly enacted by the Issuer with the written consent given as provided in Section 903 of the Owners of at least a majority in principal amount of the affected Series One Bonds Outstanding at the time such consent is given and the Series One Credit Provider; *provided, however, that* if such modification or amendment will, by its terms, not take effect so long as any Series One Bonds of like maturity remain Outstanding the consent of the Owners of such Series One Bonds, and the Series One Credit Provider, shall not be required and such Series One Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Series One Bonds under this Section 902.

No such modification or amendment shall permit a change in the terms of any terms of redemption, purchase or maturity of any Outstanding Series One Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Series One Bond, or shall reduce the percentages or otherwise affect the classes of Series One Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

For the purposes of this Section 902, Series One Bonds of a particular maturity shall be deemed to be affected by a modification or amendment of this Series One Supplemental Ordinance if the same adversely affects or diminishes the rights of the Owners of Series One Bonds of such maturity. The 1989 Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment Series One Bonds of any particular maturity would be affected by any modification or amendment of this Series One Supplemental Ordinance, and may rely upon the advice of Bond Counsel, and any such determination shall be binding and conclusive on the Issuer and all Owners of Series One Bonds.

Section 903. Consent of Owners. The Issuer may at any time enter into an ordinance amending, modifying or supplementing this Series One Supplemental Ordinance as permitted by the provisions of Section 902 to take effect when and as provided in this Section 903. A copy of such ordinance amending, modifying or supplementing this Series One Supplemental Ordinance (or brief summary thereof or reference thereto in form approved by the 1989 Trustee), together with a request to the affected Owners and each affected Series One Credit Provider, for their consent thereto in form satisfactory to the 1989 Trustee, shall be mailed by the 1989 Trustee to such Owners and the Series One Credit Provider. Such ordinance amending, modifying or supplementing this Series One Supplemental Ordinance shall not be effective unless and until:

(i) there shall have been filed with the 1989 Trustee:

(a) the written consents of Owners of the percentages of affected Outstanding Series One Bonds specified in Section 902 and the Series One Credit Provider; and

(b) an Opinion of Bond Counsel stating that such ordinance amending, modifying or supplementing this Series One Supplemental Ordinance has been duly and lawfully enacted by the Issuer in accordance with the provisions of this Series One Supplemental Ordinance, is authorized or permitted by this Series One Supplemental Ordinance, and is valid and binding upon the Issuer and enforceable in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting creditors' rights generally; and

(ii) a notice shall have been given as hereinafter in this Section 903 provided.

Each such consent shall be effective only if accompanied by proof of the ownership, at the date of such consent, of the Series One Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1002. A certificate or certificates executed by the 1989 Trustee and filed with the Issuer stating that it has examined such proof and that such proof is sufficient shall be conclusive that the consents have been given by the Owners of the affected Series One Bonds and the Series One Credit Provider described in such certificate or certificates of the 1989 Trustee. Any such consent shall be binding upon the Owner of the Series One Bonds and the Series One Credit Provider and, anything in Section 1002 to the contrary notwithstanding, upon any subsequent Owner of such Series One Bonds and of any Series One Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof) unless such consent is revoked in writing by the Owner of such Series One Bonds or the Series One Credit Provider or a subsequent Owner thereof by filing such revocation with the 1989 Trustee, prior to the time when the written statement of the 1989 Trustee hereinafter in this Section 903 provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the 1989 Trustee filed with the Issuer to the effect that no revocation thereof is on file with the 1989 Trustee. At any time after the Owners of the required percentages of Series One Bonds and the Series One Credit Provider shall have filed their consents to the Series One Supplemental Ordinance or resolution, the 1989 Trustee shall make and file with the Issuer a written statement that the Owners of such required percentages of Series One Bonds and the Series One Credit Provider have filed such consents. Such written statements shall be conclusive that such consents have been so filed.

At any time thereafter, notice stating in substance that the ordinance amending, modifying or supplementing this Series One Supplemental Ordinance (a copy of which is on file with the 1989 Trustee) has been consented to by the Owners of the required percentages of Series One Bonds and the Series One Credit Provider, and will be effective as provided in this Section 903, shall be given to Owners and the Series One Credit Provider by the 1989 Trustee by mailing such notice to Owners and the Series One Credit Provider not more than ninety (90) days after the Owners of the required percentages of Series One Bonds and the Series One Credit Provider shall have filed their consents to the Series One Supplemental Ordinance and the written statement of the 1989 Trustee hereinabove provided for is filed. A record, consisting of the certificates or statements required or permitted by this Section 903 to be made by the 1989 Trustee shall be proof of the matters therein stated. Such ordinance making such amendment or modification shall be deemed conclusively binding upon the Issuer, the Fiduciaries, the Owners of all Series One Bonds and the Series One Credit Provider upon the filing by the 1989 Trustee of the notice referred to in the preceding paragraph.

Section 904. Modifications by Unanimous Consent. Subject to the conditions set forth in Sections 908 and 909 of this Series One Supplemental Ordinance, the terms and provisions of this Series One Supplemental Ordinance and the rights and obligations of the Issuer and of the Owners of the Series One Bonds may be modified or amended in any respect upon the enactment by the Issuer of an ordinance and the consent of the Series One Credit Provider, and the Owners of all affected Series One Bonds then Outstanding, such consent to be given as provided in Section 903 except that no notice to Owners by mailing shall be required; *provided, however, that* no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the 1989 Trustee of the written assent thereto of such Fiduciary in addition to the consent of the affected Owners and the Series One Credit Provider.

Section 905. Exclusion of Series One Bonds. Series One Bonds owned or held by or for the account of the Issuer or the Borrower shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Series One Bonds provided for in this Article IX, and the Issuer or the Borrower shall not be entitled with respect to such Series One Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the Issuer and the Borrower shall furnish

the 1989 Trustee a certificate of an Authorized Issuer Representative upon which the 1989 Trustee may rely, describing all Series One Bonds so to be excluded.

Section 906. Notation on Series One Bonds. Affected Series One Bonds authenticated and delivered after the effective date of any action taken as in Article VIII or this Article IX provided may, and, if the 1989 Trustee so determines, shall bear a notation by endorsement or otherwise in form approved by the Issuer and the 1989 Trustee as to such action, and in that case upon demand of the Owner of any Series One Bond Outstanding at such effective date and presentation of this Series One Bond for the purpose at the Corporate Trust Office of the 1989 Trustee or upon any transfer or exchange of any Series One Bond Outstanding at such effective date, suitable notation shall be made on such Series One Bond or upon any Series One Bond issued upon any such transfer or exchange by the 1989 Trustee as to any such action.

Section 907. Consent of Series One Credit Provider Required in Certain Cases. Notwithstanding anything expressed or implied herein to the contrary, during any period when:

(a) the Series One Credit Facility issued by such Series One Credit Provider is in full force and effect and such Series One Credit Provider shall not have failed or refused for any reason to honor a proper demand for payment under such Series One Credit Facility;

(b) such Series One Credit Provider shall not have filed a petition or other wise sought relief under any federal or state bankruptcy or similar law; or

(c) no order or decree shall have been entered, with the consent or acquiescence of such Series One Credit Provider, appointing a receiver or receivers of the assets of such Series One Credit Provider, or if such order or decree having been entered without the consent or acquiescence of such Series One Credit Provider, shall have been vacated or discharged or stayed within 90 days after the entry thereof,

no amendment to this Series One Supplemental Ordinance which has a material adverse affect on the rights or duties of the Series One Credit Provider shall be effective without the prior written Series One Credit Provider.

Section 908. Consent of Borrower Required in Certain Cases. Notwithstanding anything expressed or implied herein to the contrary, no amendment to this Series One Supplemental Ordinance which has a material adverse affect on the rights or duties of the Borrower shall be effective without the prior written consent of the Borrower.

Section 909. Consent of 1989 Credit Provider Required in Certain Cases. Notwithstanding anything expressed or implied herein to the contrary, during any period when:

(a) the 1989 Credit Facility issued by such 1989 Credit Provider is in full force and effect and such 1989 Credit Provider shall not have failed or refused for any reason to honor a proper demand for payment under such 1989 Credit Facility;

(b) such 1989 Credit Provider shall not have filed a petition or other wise sought relief under any federal or state bankruptcy or similar law; or

(c) no order or decree shall have been entered, with the consent or acquiescence of such 1989 Credit Provider, appointing a receiver or receivers of the assets of such 1989 Credit Provider, or if such order or decree having been entered without the consent or acquiescence of such 1989 Credit Provider, shall have been vacated or discharged or stayed within 90 days after the entry thereof,

no amendment to this Series One Supplemental Ordinance which has a material adverse affect on the rights of the 1989 Credit Provider shall be effective without the prior written consent of the 1989 Credit Provider.

ARTICLE X

MISCELLANEOUS

Section 1001. Defeasance.

(a) Complete Defeasance of Series One Supplemental Ordinance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Series One Bonds the principal of, premium (if any) and interest due or to become due thereon at the times and in the manner stipulated therein and in this Series One Supplemental Ordinance, then the lien of this Series One Supplemental Ordinance and all covenants, agreements and other obligations of the Issuer to the Owners of the Series One Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the 1989 Trustee shall cause an accounting for such period or periods as shall be requested by the Issuer to be prepared and filed with the Issuer and, upon the request of the Issuer shall execute and deliver to the Issuer all such instruments as may be desirable to evidence such discharge and satisfaction, and the 1989 Trustee shall pay over or deliver, as directed by the Borrower, all moneys or securities held by them pursuant to this Series One Supplemental Ordinance which are not required for the payment of principal of, premium (if any) and interest on Series One Bonds not theretofore surrendered for such payment or redemption.

(b) Partial Defeasance of Series One Supplemental Ordinance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, all amounts owing to the Owners of all Outstanding Series One Bonds or of particular Series One Bonds, such Series One Bonds shall cease to be entitled to any lien, benefit or security under this Series One Supplemental Ordinance, and all covenants, agreements and obligations of the Issuer to the Owners of such Series One Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(c) When Series One Bonds Deemed Paid. Series One Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the 1989 Trustee (through deposit pursuant to this Series One Supplemental Ordinance of funds for such payment or redemption or otherwise, as verified by a report of nationally recognized independent certified public accountants) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this Section 1001. Any Series One Bonds of any particular Series or maturity shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in this Section 1001 if:

(i) the Issuer shall have given the 1989 Trustee in form satisfactory to it irrevocable instructions to mail, postage prepaid, to each Owner of Series One Bonds then Outstanding at his address, if any, appearing upon the registry books of the Issuer, a notice to the Owners of such Series One Bonds that the deposit required by (b) above has been made with the 1989 Trustee and that said Series One Bonds are deemed to have been paid in accordance with this Section 1001 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of, premium (if any) and interest on said Series One Bonds;

(ii) there shall have been deposited with the 1989 Trustee either moneys in an amount which shall be sufficient, or Government Obligations (including any Government Obligations issued or held in

book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the 1989 Trustee at the same time, shall be sufficient, to pay when due the principal of, premium (if any) and interest due and to become due on said Series One Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and the 1989 Trustee receives an opinion of counsel knowledgeable in matters arising under the Federal Bankruptcy Code to the effect that payments on said Series One Bonds made out of such moneys or Government Obligations will not be subject to treatment as voidable preference payments in the event of an occurrence of an Act of Bankruptcy of the Borrower or the Issuer; and

(iii) in case any of said Series One Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the 1989 Trustee irrevocable instructions accepted in writing by the 1989 Trustee to mail as provided herein notice of redemption of such Series One Bonds.

Neither Government Obligations nor moneys deposited with the 1989 Trustee pursuant to this Section 1001 or principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium (if any) and interest on said Series One Bonds; *provided that* any cash received from such principal or interest payments on such Government Obligations deposited with the 1989 Trustee:

(A) to the extent such cash will not be required at any time for such purpose as determined by the 1989 Trustee, shall be paid over upon the direction of the Borrower as received by the 1989 Trustee, free and clear of any trust, lien, pledge or assignment securing said Series One Bonds or otherwise existing under this Series One Supplemental Ordinance; and

(B) to the extent such cash will be required for such purpose at a later date, shall only be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal of, premium (if any) and interest to become due on said Series One Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments, to the extent such interest earnings will not be required at any time for such purpose as determined by the 1989 Trustee, shall be paid over as received by the 1989 Trustee to the Borrower, free and clear of any lien, pledge, or security interest securing said Series One Bonds or otherwise existing under this Series One Supplemental Ordinance.

For the purposes of this Section 1001, the term "Government Obligations" shall mean and include only direct and general obligations of the United States of America which shall not be subject to redemption prior to their maturity other than at the option of the owner thereof.

As to the Variable Rate Series One Bonds discharged and satisfied under the foregoing provisions, the amount required for the interest thereon shall be calculated at the Maximum Rate permitted by the terms of the provisions which authorized the issuance of such Variable Rate Series One Bonds; *provided, however, that* if on any date, as a result of such Variable Rate Series One Bonds having borne interest at less than such Maximum Rate for any period, the total amount of moneys and Government Obligations on deposit for the payment of interest on such Variable Rate Series One Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Series One Bonds in order to fully discharge and satisfy such Series One Bonds, the Borrower may use the amount of such excess free and clear of any trust, lien, security interest, pledge or assignment securing said Variable Rate Series One Bonds or otherwise existing under this Series One Supplemental Ordinance.

(d) **Unclaimed Moneys Deposited for Defeasance Purposes.** Anything in this Series One Supplemental Ordinance to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment

and discharge of any of the Series One Bonds which remain unclaimed for four years after the date when such Series One Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the 1989 Trustee at such date, or for four years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Series One Bonds became due and payable, shall, at the written request of the Borrower, be repaid by the 1989 Trustee to the Borrower, as its absolute property and free from trust, and the 1989 Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Borrower for the payment of such Series One Bonds; *provided, however, that* before being required to make any such payment to the Borrower, the 1989 Trustee shall, at the expense of the Borrower, cause to be mailed, postage prepaid, to each Owner of any unpaid Series One Bonds at his address, if any, appearing upon the registry books of the Issuer, a notice that said moneys remain unclaimed and that after a date named in said notice, which date shall be not less than 30 days after the date of the mailing of such notice, the balance of such moneys then unclaimed will be returned to the Borrower.

(e) No Interest of 1989 Credit Provider. All moneys that have been set aside and held in trust by the 1989 Trustee pursuant to Section 1001(c) shall be for the benefit of the Owners of the Series One Bonds deemed paid pursuant to that provision, and the 1989 Credit Provider and the owners of the Series A Bonds shall have no interest therein.

Section 1002. Evidence of Signatures of Owners and Ownership of Series One Bonds. Any request, consent, revocation of consent or other instrument which this Series One Supplemental Ordinance may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing.

The ownership of Series One Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books.

Any request or consent by the Owner of any Series One Bond shall bind all future Owners of such Series One Bond in respect of anything done or suffered to be done by the Issuer or any Fiduciary in accordance therewith.

Section 1003. Moneys Held for Particular Series One Bonds. The amounts held by the 1989 Trustee for the payment of the interest, principal or premium due on any date with respect to particular Series One Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Series One Bonds entitled thereto.

Section 1004. Preservation and Inspection of Documents. All documents received by the 1989 Trustee under the provisions of this Series One Supplemental Ordinance shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Series One Credit Provider, the Borrower and any Owners holding in the aggregate 25% or more in principal amount of the Series One Bonds then Outstanding and their agents and their representatives, any of whom may make copies thereof.

Section 1005. Parties Interested Herein. Nothing in this Series One Supplemental Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Issuer, the 1989 Trustee, the 1989 Credit Provider, the Series One Credit Provider, the Borrower, and the Owners of the Series One Bonds, any right, remedy or claim under or by reason of this Series One Supplemental Ordinance or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in this Series One Supplemental Ordinance contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the 1989 Trustee, the 1989 Credit Provider, the Series One Credit Provider, the Borrower, and the Owners of the Series One Bonds.

Section 1006. No Recourse. No recourse shall be had for the payment of the principal of or interest on the Series One Bonds or for any claim based thereon or on this Series One Supplemental Ordinance against any properties or assets of the Issuer (other than the Series One Trust Estate) or any member or officer of the Issuer or any person executing the Series One Bonds.

Section 1007. Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Series One Supplemental Ordinance on the part of the Issuer or the 1989 Trustee to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Series One Supplemental Ordinance.

Section 1008. Limitation of Issuer's Liability. The obligations of the Issuer under this Series One Supplemental Ordinance as well as any costs or expenses of the Issuer incurred in respect of its obligations and duties hereunder shall never constitute a debt or indebtedness of the Issuer within the meaning of any provision or limitation of the Constitution or statutes of the State of Oregon but shall be payable solely from the Series One Trust Estate pledged pursuant to this Series One Supplemental Ordinance. It is hereby recognized and agreed that neither the members of the Council of the Issuer nor any officer, employee or agent of the Issuer shall be individually liable on the Series One Bonds or the interest thereon or in respect of any undertakings by the Issuer under this Series One Supplemental Ordinance.

Section 1009. Governing Law. This Series One Supplemental Ordinance shall be interpreted governed by and construed under the laws of the State of Oregon, including the Act, as if executed and to be performed wholly within the State of Oregon.

Section 1010. Headings Not Binding. The headings in this Series One Supplemental Ordinance are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Series One Supplemental Ordinance.

Section 1011. Sale of Series One Bonds; Authorization of Other Acts. The Series One Bonds shall be sold in a negotiated sale to the Underwriter as provided in this Section 1011. The Executive Officer of the Issuer is hereby authorized, empowered and directed, for and on behalf of the Issuer, to determine and establish the following terms of and other matters relating to the Series One Bonds:

- (a) the aggregate principal amount of the Series One Bonds, provided that in no event shall the aggregate principal amount of the Series One Bonds exceed the sum of \$5,000,000;
- (b) (i) if applicable, the Initial Interest Rate to be applicable to the Series One Bonds during the Initial Interest Rate Period; and
 - (ii) the price at which the Series One Bonds are to be sold to the Underwriter; and
- (c) whether there is to be an Initial Interest Rate Period and, if so, the duration thereof.

The authority of the Executive Officer of the Issuer to determine and establish the terms of and other matters relating to the Series One Bonds as provided in this Section shall be exercised by setting forth such terms and other matters as so determined and established in a certificate executed and delivered by the Executive Officer on or prior to the Closing Date.

The Series One Loan Agreement, the Series One Remarketing Agreement, the Amended and Restated Intercreditor Agreement and the Contract of Purchase in substantially the forms submitted to the Council of the

Issuer in connection with the enactment of this Series One Supplemental Ordinance is hereby approved. The Executive Officer, the Director of Finance and Administration and the Deputy Executive Officer of the Issuer, and any one of them, are each hereby authorized, empowered and directed, for and on behalf of the Issuer:

(A) to execute and deliver the Series One Loan Agreement, the Series One Remarketing Agreement, the Amended and Restated Intercreditor Agreement and the Contract of Purchase in substantially the form approved hereby but with such changes, additions and deletions as may be necessary or appropriate and not inconsistent with the terms of this Series One Supplemental Ordinance or applicable law;

(B) to execute and deliver such other documents, instruments, certificates and agreements as may be necessary or appropriate to carry out and consummate the transactions contemplated by this Series One Supplemental Ordinance; and

(C) to do and perform all other acts and things necessary or appropriate to carry out and consummate the transactions contemplated by this Series One Supplemental Ordinance.

The distribution by the Underwriter of a preliminary and a final Official Statement describing the Series One Bonds and matters pertaining thereto is authorized and/or ratified in all respects and the Executive officer is hereby authorized to sign and deliver such preliminary and final Official Statements to the Underwriter.

Section 1012. Execution of Bonds. The Series One Bonds shall be executed on behalf of the Issuer by the manual or facsimile signature of the presiding officer of the Council of the Issuer and by the manual or facsimile signature of the Executive Officer of the Issuer, and the seal of the Issuer, or a facsimile thereof, shall be affixed thereto or imprinted thereon. Any facsimile signatures shall have the same force and effect as if the appropriate officers had personally signed each of the Series One Bonds. In case one or any of the officers who shall have signed or attested the Series One Bonds or whose reproduced facsimile signature appears thereon shall cease to be such officer or officers before the Series One Bonds so signed and attested shall have been actually issued and delivered, the Series One Bonds may be issued and delivered as though the person who signed or attested or whose reproduced facsimile signature appears on such bonds had not ceased to be such officer. Neither the members, directors, officers or agents of the Issuer nor any person executing the Series One Bonds shall be liable personally or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 1013. Covenant to Maintain Federal Tax-Exempt Status of Interest. The Issuer hereby covenants and agrees that it will not make any use of the proceeds of the Series One Bonds issued as Tax-Exempt Obligations or the facilities financed from such proceeds which would cause the interest on such Series One Bonds to become includable for federal income tax purposes in the gross incomes of the Owners (other than any Owner who is a "substantial user" of the facilities financed out of the proceeds of the Series One Bonds or a "related person," as such terms are used in Section 147(a) of the Code), and that it will take all actions within its control which are necessary in order to ensure that the interest on such Series One Bonds does not become includable for federal income tax purposes in the gross incomes of the Owners (other than any Owner who is a "substantial user" or a "related person" as aforesaid).

Section 1014. Notice to Rating Agencies. So long as the Series One Bonds are rated by a Rating Agency, the Issuer shall give each such Rating Agency prior written notice of any of the following events:

- (a) Any change of 1989 Trustee, Series One Tender Agent or Series One Remarketing Agent;
- (b) Any material changes to this Series One Supplemental Ordinance that affect the Series One Bonds;

- (c) Any expiration or termination of the Series One Credit Facility;
- (d) Any change in the Rate Period applicable to any Series One Bonds; and
- (e) Any redemption or defeasance of all or any Series One Bonds.

Section 1015. References to Series One Credit Facility Ineffective Upon Termination or Expiration. Notwithstanding anything expressed or implied herein to the contrary, during any period of time in which the Series One Credit Facility or any Alternate Credit Facility is not in effect with respect to any Series One Bonds, all references in this Ordinance, and all terms and provisions of this Series One Supplemental Ordinance relating, to the Series One Credit Provider (insofar as such references relate to the Series One Credit Facility or the Series One Bonds), the Series One Credit Facility and any Alternate Credit Facility shall be void and of no force or effect.

Section 1016. Conflict with Master Ordinance. Notwithstanding anything expressed or implied herein to the contrary, in the event of any conflict between the terms and provisions of this Series One Supplemental Ordinance and the Master Ordinance (other than the terms and provisions set forth in Article II of the Master Ordinance), the terms and provisions of this Series One Supplemental Ordinance shall govern and control in all respects insofar as the Series One Bonds are concerned; *provided that* in the event of any conflict between the terms and provisions of this Series One Supplemental Ordinance and the terms and provisions set forth in Article II of the Master Ordinance, the terms and provisions of Article II of the Master Ordinance shall govern and control in all respects.

Section 1017. [RESERVED]

Section 1018. Effectiveness of This Ordinance. This Ordinance shall, except as otherwise provided by law, become effective immediately upon enactment.

Section 1019. Relationship to 1989 Supplemental Ordinance. This Series One Supplemental Ordinance is enacted pursuant to Section 801 of the 1989 Supplemental Ordinance as an amendment of the 1989 Supplemental Ordinance to authorize the issuance of Additional Bonds (as defined in the 1989 Supplemental Ordinance). Except as otherwise expressly stated in this Series One Supplemental Ordinance, this Series One Supplemental Ordinance governs and controls all matters relating to the Series One Bonds (including, but not limited to, the terms and sources of payment on the Series One Bonds, the Series One Trust Estate and the obligations secured thereby, and Series One Events of Default) and notwithstanding anything expressed or implied herein to the contrary, in the event of any conflict between the terms and provisions of this Series One Supplemental Ordinance and the 1989 Supplemental Ordinance, the terms and provisions of this Series One Supplemental Ordinance shall govern and control in all respects insofar as the Series One Bonds are concerned. Notwithstanding the foregoing, the rights and obligations of the 1989 Trustee under the 1989 Supplemental Ordinance apply with respect to the Series One Bonds except to the extent of any conflict with this Series One Supplemental Ordinance. Except for the pledge of additional assets to the Series A Trust Estate, nothing in this Series One Supplemental Ordinance shall affect the terms and conditions of the 1989 Supplemental Ordinance with respect to the Series A Bonds.

Certification of Ordinance

The undersigned do hereby certify that we are the duly elected or appointed, qualified and acting Executive Officer, Presiding Officer of the Council and Clerk of the Council of the Metropolitan Service District, Counties of Multnomah, Clackamas and Washington, State of Oregon; that the foregoing is a true and complete copy of Ordinance No. 90-353 as enacted by the Council of said district at a regular meeting duly called and held in accordance with law on June 14, 1990; and that the following Councilors voted in favor of said Ordinance:

the following Councilors voted against said Ordinance:

and the following Councilors abstained from voting on said Ordinance:

In addition, the Executive Officer hereby certifies that the foregoing ordinance has not been vetoed thereby.

In witness whereof, the undersigned have hereunto set their hands as of the dates set forth below.

Attest:

Michael Ragsdale, Presiding Officer
Date: _____

Clerk of the Council
Date: _____

Rena Cusma, Executive Officer
Date: _____