

PORT OF HOOD RIVER, OREGON

RESOLUTION NO. 1986-87-4

A RESOLUTION of the Board of Port Commissioners of the Port of Hood River, Oregon, authorizing the sale and issuance of bonds of the Port of Hood River in the principal amount of \$3,895,000 for the purpose of financing certain Port projects, fixing the date, form, terms, maturities, covenants, and interest rates for the bonds, and confirming the sale of the bonds to Shearson Lehman Brothers Inc., Foster & Marshall Division.

WHEREAS, in order to provide funds to finance the Port's projects, it is deemed necessary and advisable that the Port issue its revenue bonds in the aggregate principal amount of \$3,895,000; and

WHEREAS, the Port has accepted the written offer of Shearson Lehman Brothers, Inc., Foster & Marshall Division, to purchase the bonds under the terms and conditions set forth in such offer.

NOW, THEREFORE, BE IT RESOLVED by the Board of Port Commissioners of the Port of Hood River, Oregon as follows:

Section 1. Definitions. As used in this Resolution, unless a different meaning clearly appears from the context:

"Act" means Chapter 777 of the Oregon Revised Statutes, as amended, and all future acts supplemental thereto or amendatory thereof.

"Adjusted Gross Revenues" means the Gross Revenues less any part thereof used or applied to pay the necessary costs of maintenance and operation of the Facilities of the Port (other than Special Facilities).

"Annual Debt Service Requirement" means, with respect to any particular year and to any specified bonds, an amount equal to (i) the principal amount of such bonds due or subject to mandatory redemption during such year and for which no sinking fund installments have been established, (ii) the amount of any payments required to be made during such year into any sinking fund established for the payment of any such bonds, plus (iii) all interest payable during such year on any such bonds outstanding, exclusive of any Term Bond maturity year, but including mandatory redemption on sinking fund payment requirements for any Term Bond. Such amount shall be net of any interest funded out of bond proceeds.

"Bond Fund" means the Port of Hood River 1987 Bond Fund created by Section 5 of this Resolution.

"Bond Registrar" means the First Interstate Bank of Oregon, N.A. appointed by this Resolution for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, and effecting transfer of ownership of the Series A and Series B Bonds.

"Code" means the Internal Revenue Code of 1986 and the regulations and rulings promulgated thereunder.

"Commission" means the Board of Port Commissioners of the Port as the same shall be duly and regularly constituted from time to time.

"Construction Fund" means the Port of Hood River Construction Fund created by Section 10.

"Costs of the Projects" means:

(1) The actual cost of labor, materials, machinery and equipment as payable to contractors, builders and materialmen in connection with the acquisition, construction and equipping of the Project;

(2) Governmental charges, including ad valorem property and other taxes, levied or assessed during construction of the Project, or on any property acquired therefor, and premiums on insurance in connection with the Project during construction;

(3) Fees and expenses of architects and engineers for estimates, surveys and other preliminary investigations, preparation of plans, drawings and specifications and supervision of construction and modification, as well as for the performance of all other duties of architects and engineers in relation to the acquisition, construction and equipping of the Project;

(4) Expenses of administration, supervision and inspection properly chargeable to the Project, reports on titles to real estate, title insurance premiums and all other items of expenses, including fees and expenses of the Port, not elsewhere specified in this section incident to the acquisition, construction, equipping and financing of the Project and placing the Project in operation;

(5) Reimbursement to the Port for any such allowable costs paid by it; and

(6) Interest during construction of the Projects.

"Facilities" means all equipment and all property, real and personal, or any interest therein, whether improved or unimproved, now or hereafter (for as long as any revenue bonds of the Port issued pursuant to Ordinance No. 12, and this Resolution or bonds issued on a parity therewith shall be outstanding) owned, operated, used, leased or managed by the Port and which contribute in some measure to its Gross Revenue as herein defined.

"Future Parity Bonds" means those General Revenue Bonds or other revenue obligations which will be issued by the Port in the future as Parity Bonds.

"General Revenue Bonds" means those Parity Bonds or Future Parity Bonds serviced by a lien on Adjusted Gross Revenues.

"Gross Revenue" means all income and revenue derived by the Port from time to time from any source whatsoever except:

(1) for so long as the Series 1986 Bonds are outstanding, the rental payments made by United Telephone Company of the Northwest or by any other tenants of the Plant H (Waucoma) Project to the Port, excepting, however, those funds in the Debt Service Fund created by Ordinance No. 11 to the extent they have become available to the Port;

(2) tax receipts;

(3) the proceeds of any borrowing by the Port;

(4) income and revenue which may not be legally pledged for revenue bond debt service,

(5) income and revenue of the Port separately pledged and used by it to pay and secure the payment of the principal of and interest on any issue or series of Special Revenue Bonds provided further, that nothing in this subparagraph (5) shall permit the withdrawal from Gross Revenue of any income or revenue derived or to be derived by the Port from any income producing facility which shall have been contributing to Gross Revenue prior to the issuance of such Special Revenue Bonds, and

(6) income from investments irrevocably pledged to the payment of bonds issued or to be refunded under any refunding bond plan of the Port.

"Insurance Consultant" means an organization, firm or person appointed by the Port with notification to the Trustee and, if not objected to by the Trustee within five days of

receipt, such Insurance Consultant shall be deemed to be qualified to survey risks and to recommend insurance coverage for Ports engaged in like operations, having a favorable reputation for skill and experience in such surveys and recommendations, who may be a broker or agent with whom the Port transacts business, and who shall have no interest, direct or indirect, except for the selling or brokering of insurance, for the Port and, in the case of a person, shall not be a Commissioner or employee of the Port.

"Maximum Annual Debt Service" means the Maximum Annual Debt Service requirement for outstanding Parity Bonds.

"Parity Bonds" means any General Revenue Bonds or other revenue obligations issued by the Port which have a lien upon the Adjusted Gross Revenue for the payment of the principal thereof and interest thereon equal to the lien created upon Gross Revenue for the payment of the principal of and interest on the Bonds which term "Parity Bonds" shall mean and include the Series A and Series B Bonds.

"Permitted Investments" means any obligations which are legal investments for a local government as that term is defined in Oregon Revised Statutes 294.004.

"Plant H Project or Waucoma Project" means the project described in Ordinance No. 11 of the Port.

"Port" means the Port of Hood River, Oregon, a municipal corporation duly organized and existing as a port district under and by virtue of the laws of the State of Oregon.

"Project or Projects" means the Series A Projects and Series B Projects, specifically identified as follows:

Series A:

- (1) Retirement of the Port's prior note to Diamond Fruit Growers, Inc.
- (2) Waterfront Improvements
- (3) Painting of the toll bridge's lift span
- (4) Infrastructure improvements to the Port's industrial parks.

Series B:

- (1) Improvements to the Waucoma telecommunications center building.

(2) Improvements to the Big Seven and Columbia buildings.

"Renewal and Replacement Account" shall mean that fund created pursuant to Section 7 hereof.

"Reserve Account" means the Debt Service Reserve Account created in the Bond Fund by Section 6 of this Resolution.

"Reserve Equivalent" means an insurance policy or letter of credit issued by a municipal bond insurance company or a commercial bank having a credit rating (when the policy or letter of credit is issued) of AA or better as determined by Moody's Investors Services or Standard & Poor's Corporation, or their successors, in which the insurance company or commercial bank agrees to provide the Port with funds in an amount which, when combined with any other deposits of cash and/or bond proceeds, equals Maximum Annual Debt Service on the Parity Bonds.

"Resolution" means this Resolution No. 1986-87-4 or any other resolution supplemental thereto.

"Revenue Fund" means the Port of Hood River Revenue Fund created pursuant to Section 4 hereof.

"Series A Bonds or Bonds" means the Series A Bonds issued pursuant to Ordinance No. 12 and this Resolution.

"Series B Bonds or Bonds" means the Series B Bonds issued pursuant to Ordinance No. 12 and this Resolution.

"Series 1986 Bonds" means the Port of Hood River, Oregon Revenue Bonds, Series 1986 (Plant H Project).

"Special Revenue Bonds" means any issue or series of revenue bonds or other revenue obligations (other than general revenue bonds) of the Port issued to directly or indirectly acquire (by purchase, lease or otherwise), construct, equip, install or improve part or all of particular facilities and which are payable solely from and secured solely by the income and revenue from such particular facilities (herein referred to as "Special Facilities").

"Term Bonds" means Bonds which mature more than one year from the next to the last maturity of Bonds under this Resolution, and any Future Parity Bonds which are so designated in the Resolution pursuant to which such Future Parity Bonds are issued.

"Trustee" means the First Interstate Bank of Oregon, N.A.

Section 2. Authorization of Bonds. The Port shall issue the Series A Bonds in the principal amount of \$1,420,000 and the Series B Bonds in the principal amount of \$2,475,000 for the purpose of providing the funds necessary for the Projects, to pay all costs incidental thereto and for the costs of issuance of the Bonds.

Section 3. Bond Details.

A. Date, Denomination of Series A Bonds. The Series A Bonds shall be designated as "Port of Hood River Revenue Bonds, Series A," shall be dated June 1, 1987, shall be in the denomination of \$5,000 each or any integral multiple of \$5,000, provided no Bond shall represent more than one maturity, shall be registered as to both principal and interest, and shall bear interest from June 1, 1987, until the Bond bearing such interest has been paid, payable December 1, 1987, and semiannually on the first days of each June and December thereafter. The Bonds shall be numbered separately in the manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification, and shall mature on June 1 of the following years in the following amounts and bear interest at the following rates per annum:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rates</u>
June 1, 1999	\$415,000	8.5%
June 1, 2000	\$450,000	8.6%
June 1, 2001	\$490,000	8.7%
June 1, 2002	\$ 65,000	8.75%

B. Date, Denomination, of Series B Bonds. The Series B Bonds shall be designated as "Port of Hood River Revenue Bonds, Series B," shall be dated June 1, 1987, shall be in the denomination of \$5,000 each or any integral multiple of \$5,000, provided no Bond shall represent more than one maturity, shall be registered as to both principal and interest, and shall bear interest from June 1, 1987, until the Bond bearing such interest has been paid payable December 1, 1987, and semiannually on the first days of each June and December thereafter. The Bonds shall be numbered separately in the manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification, and shall mature on June 1 of the following years in the following amounts and bear interest at the following rates per annum:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rates</u>
June 1, 1992	\$ 705,000	10.00%
June 1, 1998	\$1,770,000	10.875%

C. Transfer and Payment. Upon surrender thereof to the Bond Registrar, the Series A and Series B Bonds are transferable for bonds in any authorized denomination of an equal aggregate principal amount and of the same interest rate and maturity. Series A and Series B Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Such exchange or transfer shall be without cost to the owner or transferee.

The owner of any Series A or Series B Bond redeemed in part will receive, upon surrender of such Series A or Series B Bond, a new Series A or Series B Bond in principal amount equal to the unredeemed portion of the Bond so surrendered.

The Port hereby appoints the First Interstate Bank of Oregon, N.A. as the Bond Registrar. The Port shall cause a bond register to be maintained by the Bond Registrar. So long as any of the Series A and Series B Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Series A and Series B Bonds at its principal office. The Series A and Series B Bonds shall be transferable only upon the Bond Register by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such Bond, the Bond Registrar shall issue in the name of the transferee, in an authorized denomination or denominations, a new Bond or Bonds of the same aggregate principal amount and maturity as the surrendered Bonds.

Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be paid by check or draft mailed to the registered owners or assigns at the addresses appearing on the Bond Register on the 15th day of the month preceding the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender thereof by the registered owners at the office of the Bond Registrar.

The Bonds shall be obligations only of the Bond Fund and shall be payable and secured as provided herein. The Bonds are not general obligations of the Port. The Bonds do not constitute an indebtedness of the Port within the meaning of the constitutional provisions and limitations of the State of Oregon.

D. Redemption.

(1) Optional Redemption of Series A Bonds. The Port reserves the right to redeem any of the outstanding Series A Bonds of this issue, in inverse order of maturity and by lot within a maturity on any interest payment date on or after June 1, 1997 at par plus accrued interest to the date of redemption.

(2) Optional Redemption of Series B Bonds. The Port reserves the right to redeem any of the outstanding Series B Bonds of this issue, in inverse order of maturity and by lot within a maturity on any interest payment date on or after June 1, 1997 at par plus accrued interest to the date of redemption.

(3) Mandatory Redemption of Series B Bonds.

(a) The Bonds maturing on June 1, 1992, are subject to mandatory redemption by lot beginning on June 1, 1989, and each June 1 thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption from monies deposited in the Bond Fund in an amount sufficient to redeem on June 1 of each of the following years, the principal amount of Bonds set forth opposite each such year below:

<u>Date</u>	<u>Amount</u>
June 1, 1989	\$150,000
June 1, 1990	\$165,000
June 1, 1991	\$185,000
June 1, 1992	\$205,000 (final maturity)

(b) The Bonds maturing on June 1, 1998, are subject to mandatory redemption by lot beginning on June 1, 1993, and each June 1 thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption from monies deposited in the Bond Fund in an amount sufficient to redeem on June 1 of each of the following years, the principal amount of Bonds set forth opposite each such year below:

<u>Date</u>	<u>Amount</u>
June 1, 1993	\$225,000
June 1, 1994	\$250,000
June 1, 1995	\$275,000
June 1, 1996	\$305,000
June 1, 1997	\$340,000
June 1, 1998	\$375,000 (final maturity)

(5) Notice of Call. Notice of any such redemption shall be given not less than 30 nor more than 60 days prior to the date fixed for redemption by first class mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address appearing on the Bond Register by the Bond Register. In addition, notice of such redemption shall be published if required by law. The requirements of this section shall be deemed to be complied with when notice is mailed as herein provided, regardless of whether or not it is actually received by the owner of any Bond. In addition, such redemption notice shall also be mailed within the same time period, postage prepaid, to Standard & Poor's Corporation and to Moody's Investors Service, Inc. at their offices in New York, New York, or to their successors, if any, at the main place of business of such firms, but such mailings shall not be a condition precedent to the call of any Bonds for redemption.

(6) Effect of Call. Interest on any Bonds so called for redemption shall cease on such redemption date unless the same shall not be redeemed upon presentation made pursuant to such call. If moneys shall not be available on the redemption date, such Bonds shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

(7) Purchase of Bonds for Retirement. The Port further reserves the right to use at any time any surplus Adjusted Gross Revenue available after providing for the payment required by paragraph First, Second, Third, Fourth, and Fifth of Section 4 of this Resolution, to purchase any of the Series A and Series B Bonds in the open market for retirement only, if the same may be purchased at a price not exceeding that at which they could be called for redemption on the first succeeding date on which they may be called, plus accrued interest.

Section 4. Priority of Use of Adjusted Gross Revenue. There is hereby created a special fund of the Port known as the "Port of Hood River Revenue Fund" (the "Revenue Fund"). The Adjusted Gross Revenue shall be deposited in the Revenue Fund as collected. The Revenue Fund shall be held separate and apart

from all other funds and accounts of the Port and the Adjusted Gross Revenue deposited therein shall be used only for the following purposes and in the following order of priority:

First, to make all payments required to be made into the Bond Fund to pay the interest on any Parity Bonds;

Second, to make all payments, including sinking fund payments, required to be made into the Bond Fund to pay the principal of any Parity Bonds;

Third, to make all payments required to be made into the Reserve Account to secure the payment of any Parity Bonds;

Fourth, to pay any administrative expenses associated with the operation of the Port and to transfer monies to the Renewal and Replacement Account of the Revenue Fund;

Fifth, to make all payments required to be made into any other revenue bond redemption fund and debt service account, reserve account, or debt service reserve fund created therein to pay and secure the payment of the principal of and interest on any revenue bonds or other revenue obligations of the Port having a lien upon the Adjusted Gross Revenue and the money in the Revenue Fund junior and inferior to the lien thereon for the payment of the principal of and interest on any Parity Bonds and for so long as the Series 1986 Bonds are outstanding to make payment to the special funds as provided by Ordinance No. 11 of the Port;

Sixth, to retire by redemption or purchase in the open market any outstanding revenue bonds or other revenue obligations of the Port as authorized in the various ordinances or resolutions of the Port Commission authorizing their issuance or to make necessary additions, betterments, improvements and repairs to or extension and replacements of the Facilities, or any other lawful Port purposes.

Section 5. 1987 Bond Fund. A special fund of the Port designated the "Port of Hood River 1987 Bond Fund" (the "Bond Fund") is hereby created for the purpose of paying and securing the payment of Parity Bonds. The Bond Fund shall be held separate and apart from all other funds and accounts of the Port and shall be a trust fund for the owners, from time to time, of Parity Bonds.

The Port hereby irrevocably obligates and binds itself for as long as any Parity Bonds remain outstanding to set aside and pay into the Bond Fund from Adjusted Gross Revenues or moneys in the Revenue Fund, at least 15 days prior to the respective dates the same become due:

(1) Such amounts as are required to pay the interest scheduled to become due on outstanding Parity Bonds; and

(2) Such amounts with respect to outstanding Parity Bonds as are required (i) to pay maturing principal, (ii) to make required sinking fund payments, or mandatory sinking fund payments for Term Bond redemption, if any, and (iii) to redeem outstanding Parity Bonds in accordance with any mandatory redemption provisions.

Section 6. Debt Service Reserve Account. A Debt Service Reserve Account as an account within the Bond Fund is hereby created for the purpose of securing the payment of the principal of and interest on Parity Bonds.

The Port hereby further covenants and agrees that in the event it issues any Future Parity Bonds that it will provide in the ordinance or resolution authorizing the issuance of the same that it will make additional payments into the Reserve Account out of Adjusted Gross Revenue (or out of any other funds on hand legally available for such purpose) or a Reserve Equivalent of not less than approximately equal annual amounts so that by five years from the date of such Future Parity Bonds there will have been paid into the Reserve Account an amount which, with the money otherwise required to be deposited therein, will be equal to the Maximum Annual Debt Service thereafter, or the maximum provided by the Code.

The Port further covenants and agrees that when said required deposits have been made into the Reserve Account it will at all times maintain therein an amount at least equal to the Maximum Annual Debt Service or the maximum amount provided by the Code. Whenever there is a sufficient amount in the Bond Fund, to pay the principal of, premium if any, and interest on all outstanding Parity Bonds, the money in the Reserve Account may be withdrawn to redeem and retire, and to pay the interest due to such date of redemption and premium, if any, on any outstanding Parity Bonds, so long as the moneys left remaining on deposit in the Reserve Account are equal to the Maximum Annual Debt Service required thereafter.

In the event a deficiency in the Bond Fund shall occur such deficiency shall be made up from the Reserve Account by the withdrawal of moneys therefrom. Any deficiency created in the Reserve Account by reason of such withdrawal shall then be made up within one year out of Adjusted Gross Revenue (or out of any other moneys on hand legally available for such purpose) after making necessary provision for the payments required to be made into the Bond Fund within such year or from the Renewal and Replacement Account.

The amounts so pledged to be paid into the Bond Fund and Reserve Account are hereby declared to be a prior lien and charge upon the Adjusted Gross Revenue superior to all other charges of any kind or nature whatsoever, and amounts so pledged are of equal lien to any lien and charge which may hereafter be made to pay and secure the payment of the principal of and interest on any Future Parity Bonds.

Money in the Bond Fund not needed to pay the interest or principal and interest next coming due on any outstanding Parity Bonds or to maintain required reserves therefor may be used to purchase or redeem and retire Parity Bonds. Money in the Bond Fund and Reserve Account may be invested in Permitted Investments. Investments in the Bond Fund shall mature prior to the date on which such money shall be needed for required interest or principal payments. Investments in the Reserve Account shall mature not later than the last maturity of any then outstanding Parity Bonds. All interest earned and income derived by virtue of such investments shall remain in the Bond Fund and be used to meet the required deposits into any account therein.

Section 7. Renewal and Replacement Account. There is hereby created a Renewal and Replacement Account as a sub-account within the Revenue Fund to be used for the usual and ordinary maintenance, repair and replacement of all Facilities but excluding any unusual or extraordinary betterments or additions to Facilities.

The Port covenants that it shall beginning December 1, 1987 make equal annual contributions to the Renewal and Replacement Account so that on December 1, 1991 such account shall be equal to four percent (4%) of the principal amount of the Bonds outstanding, including Future Parity Bonds. In no event, however, after December 1, 1991, shall the Renewal and Replacement Account be less than \$125,000. The Port further covenants that it shall within its next fiscal year following any withdrawal, replenish the account to the required level.

Section 8. Defeasance. In the event that money and/or Permitted Investments maturing or having guaranteed redemption prices at the option of the holder at such time or times and bearing interest to be earned thereon in amounts (together with such money, if any) sufficient to redeem and retire part or all of the Bonds in accordance with their terms, are hereafter irrevocably set aside in a special account and pledged to effect such redemption and retirement, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on the certain Bonds so provided for and such Bonds shall then cease to be entitled to any lien, benefit or security of this Resolution, except the right to receive the funds so set aside and pledged, and such Bonds shall no longer be deemed to be outstanding hereunder, or under any ordinance or resolution

authorizing the issuance of bonds or other indebtedness of the Port.

Section 9. Expense Fund. There is hereby created an Expense Fund which monies therein shall be used to pay for the costs of issuance of the Parity Bonds.

Section 10. Construction Fund. A special fund of the Port designated the "Port of Hood River 1987 Construction Fund (the "Construction Fund") is hereby created for paying the Costs of the Projects. The Construction Fund shall be divided into a Series A Sub-Account and Series B Sub-Account. Moneys in each Sub-Account shall be used only for projects applicable to each Sub-Account except that money in the Series B Sub-Account may, upon direction of the Port, be used for Projects applicable to the Series A Sub-Account, but in no event shall moneys in the Series A Sub-Account be used for Projects applicable to the Series B Sub-Account. The Trustee is authorized to make payment of the Costs of the Projects upon receipt of a requisition signed by a Port representative (which shall mean a Port Commissioner or manager of the Port) stating:

- (1) The name of the person, firm or corporation to whom the payment is due;
- (2) The amount to be paid;
- (3) The purpose in reasonable detail for which the obligation to be paid was incurred; and
- (4) Which Sub-Account within the Construction Fund should be charged.

In addition, there shall be attached to the requisition a certificate signed by a Port representative stating that:

- (1) The obligation stated in the requisition has been incurred in or about the acquisition, construction and equipping of the Project, each item is a proper charge against the Construction Fund and the obligation has not been the basis for a prior requisition which has been paid;
- (2) No written notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable under such requisition to any of the persons, firms or corporations named therein has been received, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of the requisition, and

(3) Such requisition contains no items representing payment on account of any retained percentage entitled to be retained at the date of the certificate.

If any requisition includes an item for payment for labor or to contractors, builders or materialmen, a certificate attached to the requisition signed by a Port representative, stating:

(1) That such work was actually performed or such materials, supplies or equipment were actually furnished or installed in or about the construction, reconstruction, renovation and equipping of the Project, and

(2) Either that such materials, supplies or equipment are not subject to any lien or security interest or that any such lien or security interest will be released or discharged upon payment of the requisition.

Section 11. Rebate Fund. A rebate fund the ("Rebate Fund") is hereby created. At least annually, and no later than five business days prior to the date a rebate must be paid to the United States, and in accordance with Section 148 of the Code, the Port shall calculate the "Rebate Amount," and shall transfer an amount from the Revenue Fund into the Rebate Fund such that the balance in the Rebate Fund is at least equal to the "Rebate Amount." The "Rebate Amount" means: the total amount of earnings on the "gross proceeds" of the Series 1987-A Bonds from their date of issuance until the date of calculation, which are required to be rebated to the United States under Section 148 of the Code; less, any rebates on the "gross proceeds" of the Series 1987-A Bonds which were previously rebated to the United States. Money in the Rebate Fund shall be used only to pay rebates to the United States which are required under Section 148 of the Code, unless the Port obtains an opinion of nationally recognized bond counsel that such amounts may be used for other purposes without causing interest on the Series 1987-A Bonds to be taxable under United States income tax laws. If such an opinion is obtained, money in the Rebate Fund may be transferred to the Revenue Fund the extent specified in the opinion.

Section 12. Disposition of the Proceeds of Sale of Bonds and Other Moneys. \$1,215,000 shall be deposited into the Construction Fund Series A Sub-Account, and \$2,000,000 shall be deposited into the Construction Fund Series B Sub-Account, accrued interest on the Bonds at the time of their delivery shall be paid into the Bond Fund, \$34,500.00 shall be deposited to the Expense Fund and \$540,311.25 to the Reserve Account.

Section 13. Specific Covenants. The Port hereby covenants and agrees with the owners and holders of each of the Bonds for as long as any of the same remain outstanding as follows:

A. That it will at all times establish, maintain and collect rentals, tariffs, rates and charges in the operation of all of its business for as long as any Parity Bonds are outstanding that will produce Adjusted Gross Revenue in an amount equal to at least 1.30 times the then current Annual Debt Service Requirement.

B. That it will duly and punctually pay or cause to be paid out of the Bond Fund the principal of and the interest on the Bonds at the times and places as herein and in said Bonds provided and will at all times faithfully perform and observe any and all covenants, undertakings and provisions contained in this Resolution and in the Bonds.

C. That it will at all times keep and maintain all of the Facilities in good repair, working order and condition, and will at all times operate the same and the business or businesses in connection therewith in an efficient manner and at a reasonable cost.

D. That in the event any Facility or part thereof which contributes in some measure to the Adjusted Gross Revenue is sold by the Port or is condemned pursuant to the power of eminent domain, the Port will apply the net proceeds of such sale or condemnation to capital expenditures for Facilities which will contribute in some measure to the Adjusted Gross Revenue or to the retirement of Parity Bonds then outstanding.

E. That it will keep all Facilities insured, as are ordinarily insured against by similar Ports, against such risks, in such amounts, and with such deductibles as the Port Commission shall deem necessary for the protection of the Port and of the holders of Parity Bonds then outstanding. The Port may purchase lesser insurance coverage or be excused from purchasing insurance on the Facilities if the Board of Port Commissioners has established an adequate self-insurance program. A self-insurance program will be considered adequate if:

(1) The program is in writing, has been approved by an Insurance Consultant and has been filed with the Trustee;

(2) The Port is required under the program to deposit and maintain in a separate trust account, established for such purposes with a financial institution having trust powers, moneys in an amount sufficient, in the opinion of an actuary, to pay claims up to the amount of the Port's retained liability and to pay anticipated claims expense;

(3) The Port has received a report, satisfactory to the Trustee, from an actuary concerning the program;

(4) The program provides for the administration and payment of claims to the extent of the Port's retained liability, and

(5) The program requires that the self-insurance plan be reviewed at least annually by an actuary to determine the required amount of additional deposits into the trust or those amounts which the Port may withdraw from the trust and that a copy of the actuary's annual review shall be filed with the Trustee.

F. That it will at all times keep or arrange to keep in full force and effect policies of public liability and property damage insurance which will protect the Port against anyone claiming damages of any kind or nature, if such insurance is obtainable at reasonable rates and upon reasonable conditions, in such amounts and with such deductibles as the Port Commission shall deem necessary for the protection of the Port and of the holders of the Parity Bonds then outstanding.

G. That it will keep and maintain proper books of account and accurate records of all of its revenue, including tax receipts, received from any source whatsoever, and of all costs of administration and maintenance and operation of all of its business that are in accordance with proper and legal accounting procedure. That on or before thirty (30) days after the end of each calendar quarter it will prepare an operating statement for the preceding quarter in the form customarily prepared by the Port. That on or before one hundred twenty (120) days after each fiscal year it will prepare or cause to be prepared an operating statement of all of the business of the Port for such preceding fiscal year. Each such annual statement shall contain a statement in detail of the Adjusted Gross Revenue, tax receipts, expenses of administration, expenses of normal operation, expenses of normal and extraordinary maintenance and repair, and expenditures for capital purposes of the Port for such calendar year and shall contain a statement as of the end of such year showing the status of all funds and accounts of the Port pertaining to the operation of its business and the status of all of the funds and accounts created by various ordinances or resolutions of the Commission authorizing the issuance of outstanding bonds and other obligations payable from the Adjusted Gross Revenues. Copies of such statements and of such other like statements as may be prepared from time to time, whether audited or not, shall be placed on file in the main office of the Port, and shall be open to inspection at any reasonable time by the owners of Parity Bonds and shall be mailed at the expense of the Port to any owners of Parity Bonds who shall make written request for the same.

H. That it will not make any use of the proceeds of sale of the Series 1987-A Bonds or any other moneys of the Port

which may be deemed to be proceeds of such Bonds pursuant to Section 148 of the Internal Revenue Code and the applicable Regulations thereunder which could cause the Bonds to lose their tax exempt status.

Section 14. Parity Bonds. The Port hereby further covenants and agrees with the owners and holders of each of the Bonds for as long as any of the same remain outstanding as follows:

That it will not issue any bonds having a greater or equal priority lien upon the Adjusted Gross Revenue to pay or secure the payment of the principal of and interest on such bonds than the priority of lien created on such Adjusted Gross Revenue to pay or secure the payment of the principal of and interest on Parity Bonds, except:

A. That the Port reserves the right to issue future Parity Bonds for the purpose of providing funds to acquire, construct, maintain, install, repair or replace any equipment, additions, betterments, or improvements to the Facilities of the Port for which it is authorized by law to issue revenue bonds, provided that payments will be made out of the Adjusted Gross Revenue and into the Bond Fund and Reserve Account (or to any sinking funds created in said accounts for the payment of Term Bonds) to pay and secure the payment of the principal of and interest on such Future Parity Bonds on a parity with the payments required herein to be made out of such Adjusted Gross Revenue into such Accounts to pay and secure the payment of the principal of and interest on any Parity Bonds then outstanding, upon compliance with the following conditions:

(1) At the time of the issuance of any Future Parity Bonds there is no deficiency in the Bond Fund and the Reserve Account.

(2) Each ordinance or resolution authorizing the issuance of Future Parity Bonds will:

(a) contain the covenants required in the third paragraph of Section 6 hereof,

(b) contain a covenant that the Port will at all times establish, maintain and collect rentals, tariffs, rates and charges in the operation of all of its business for as long as any Parity Bonds and any Future Parity Bonds being issued are outstanding that will produce Adjusted Gross Revenue in an amount equal to at least 1.30 times the Annual Debt Service Requirement.

(c) make applicable to the Future Parity Bonds being issued all of the other covenants herein contained

that are applicable to any Parity Bonds then outstanding.

(d) require mandatory sinking fund payments from the Revenue Fund sufficient to retire all Term Bonds on or prior to their fixed maturities.

(3) The Adjusted Gross Revenues determined, adjusted and certified as hereinafter provided for each fiscal year after the issuance of such Future Parity Bonds will equal at least 1.30 times the respective Annual Debt Service Requirement for each such year on the Future Parity Bonds being issued and all outstanding Parity Bonds.

Such Adjusted Gross Revenue shall be the Adjusted Gross Revenue of the Port for a period of any twelve consecutive months out of the twenty-four months immediately preceding the date of delivery of such proposed Future Parity Bonds as adjusted and certified by a firm of consulting engineers or Certified Public Accountants experienced in the design and operation of port facilities to take into consideration additional Adjusted Gross Revenue estimated by such engineers or accountants to be derived by the Port under the following conditions for each calendar year after such delivery for so long as any Parity Bonds and any Future Parity Bonds proposed to be issued shall be outstanding:

(i) the additional Adjusted Gross Revenue which would have been received by the Port if any change in rentals, tariffs, rates and charges adopted prior to the date of such certificate and subsequent to the beginning of such twelve-month period;

(ii) the additional Adjusted Gross Revenue which would have been received by the Port if any Facility which became fully operational after the beginning of such twelve-month period had been so operating for the entire period;

(iii) the additional Adjusted Gross Revenue estimated by such engineers or accounts to be received by the Port as a result of any additions, betterments and improvements to and extensions of any Facilities which are (a) under construction at the time of such certificate or (b) will be constructed from the proceeds of the Future Parity Bonds to be issued.

(iv) the additional Adjusted Gross Revenue to be received by the Port as a result of executed leases or contracts, which Revenue has not been included in (i), (ii), or (iii) hereof.

B. The Port further reserves the right to issue Future Parity Bonds for the purpose of refunding by exchange or purchasing or calling and retiring at or prior to their maturity any part or all of the then outstanding Parity Bonds if the conditions required in subsections A(1), A(2) and A(3) of this section are complied with.

C. Nothing herein contained shall prevent the Port from issuing revenue bonds or other revenue obligations which are a charge upon the Adjusted Gross Revenue junior or inferior to the payments required by this Resolution to be made out of Adjusted Gross Revenue into the Bond Fund and Reserve Account.

D. Nothing herein contained shall prevent the Port from issuing revenue bonds to refund maturing bonds or other revenue obligations for the payment of which moneys are not otherwise available provided that the refunding bonds to be issued shall have the same lien upon Adjusted Gross Revenue as the bonds or other obligations to be refunded.

Section 15. Lost, Stolen or Destroyed Bonds. In case any Bond or Bonds shall be lost, stolen or destroyed, the Bond Registrar may execute and deliver a new Bond or Bonds of like date, number and tenor to the holder thereof upon the owner's paying the expenses and charges of the Port in connection therewith and upon his filing with the Port evidence satisfactory to the Port that such Bond or Bonds were actually lost, stolen or destroyed and of his ownership thereof, and upon furnishing the Port with indemnity satisfactory to the Port.

Section 16. Form of Bonds and Registration Certificate. The "Port of Hood River Series A and Series B Bonds," shall be in substantially the following form:

UNITED STATES OF AMERICA

NO. R- _____

\$ _____

STATE OF OREGON
PORT OF HOOD RIVER
REVENUE BOND,
SERIES 1987-__

Maturity Date: _____ 1, _____

CUSIP No.

Interest Rate:

Registered Owner:

Principal Amount:

THE PORT OF HOOD RIVER, a municipal corporation organized and existing under and by virtue of the laws of the State of Oregon (the "Port"), promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, solely from the special fund of the Port known as the "Port of Hood River 1987 Bond Fund" (the "Bond Fund") created by Ordinance No. 12 and Resolution No. __ (collectively the "Bond Ordinance") of the Board of Port Commissioners the Principal Amount indicated above and to pay interest thereon from the Bond Fund from _____, 1987, or the most recent date to which interest has been paid or duly provided for or until payment of this bond at the Interest Rate set forth above, payable _____, 1987, and semi-annually thereafter on the first days of each _____ and _____, _____. Both principal of and interest on this bond are payable in lawful money of the United States of America. Interest shall be paid by mailing a check or draft to the Registered Owner or assigns at the address shown on the Bond Register on the 15th day of the month prior to the interest payment date. Principal shall be paid to the Registered Owner or assigns upon presentation and surrender of this bond at the principal office of the _____ in
Portland, Oregon.

REFERENCE IS HEREBY MADE TO ADDITIONAL PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF AND SUCH ADDITIONAL PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH ON THIS SPACE.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication hereon shall have been manually signed by the Bond Registrar.

It is hereby certified and declared that this bond and the bonds of this issue are issued pursuant to and in strict compliance with the Constitution and laws of the State of Oregon and Resolutions of the Port and that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and performed.

IN WITNESS WHEREOF, the Port of Hood River, Oregon, has caused this bond to be executed by the facsimile signatures of the President and Secretary of the Board of Port Commissioners as of the first day of _____, 1987.

PORT OF HOOD RIVER, OREGON

By:

President, Board of
Port Commissioners

ATTEST:

Secretary, Board of
Port Commissioners

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This bond is one of the bonds described in the within mentioned Bond Ordinance and is one of the Revenue Bonds, Series 1987-__ of the Port of Hood River, Oregon, dated _____, 1987.

as Bond Registrar

By: _____
Authorized Officer

ADDITIONAL BOND PROVISIONS

This bond is one of an issue of bonds of the Port of Hood River, Oregon of like date, tenor and effect, except as to number, amount, rate of interest and date of maturity and is issued pursuant to the Bond Ordinance.

The Port reserves the right to redeem any or all of the outstanding bonds of this issue, in inverse order of maturity and by lot within a maturity at the following times and at the following prices, expressed as a percentage of principal amount, plus accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Prices</u>
------------------------	--------------------------

The Bonds maturing in _____ are subject to mandatory redemption by lot on _____ and each _____ thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption from moneys deposited in the Bond Fund in an amount sufficient to redeem on _____ of each of the following years, the principal amount of Bonds set forth opposite each such year below:

<u>Date</u>	<u>Amount</u>
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Notice of any such intended redemption shall be given not less than 30 nor more than 60 days prior to the date fixed for redemption by first class mail, postage prepaid, to the registered owner of any bond to be redeemed at the address

appearing on the bond register. In addition, notice of such redemption shall be published if required by law. The requirements of the Bond Ordinance shall be deemed to be complied with when notice is mailed as herein provided, regardless of whether or not it is actually received by the owner of any bond. Interest on any such bond so called for redemption shall cease to accrue on the date fixed for redemption unless such bond or bonds so called for redemption are not redeemed upon presentation made pursuant to such call. In addition, such redemption notice shall be mailed within the same time period to Standard and Poor's Corporation and to Moody's Investors Service, Inc., or to their successors, if any, but such mailings shall not be a condition precedent to the call of any bonds for redemption.

The bonds are transferable for bonds of any denomination authorized by the Bond Ordinance of an equal aggregate principal amount and of the same interest rate and maturity.

The Port hereby covenants and agrees with the owner and holder of this bond that it will keep and perform all the covenants of this bond and the Bond Ordinance.

The Port does hereby pledge and bind itself to set aside from such Adjusted Gross Revenue, and to pay into said Bond Fund and the Reserve Account created therein the various amounts required by the Bond Ordinance to be paid into and maintained in said Fund and Account, all within the times provided by the Bond Ordinance.

Said amounts so pledged to be paid out of Adjusted Gross Revenue into said Bond Fund are hereby declared to be a first and prior lien and charge upon such Adjusted Gross Revenue and equal in rank to the lien and charge upon such Adjusted Gross Revenue of the amounts required to pay and secure the payment of any revenue bonds of the Port hereafter issued on a parity with such bonds and the bonds of this issue.

The Port has further bound itself to maintain all of its properties and facilities which contribute in some measure to such Adjusted Gross Revenue in good repair, working order and condition, to operate the same in an efficient manner and at a reasonable cost, and to establish, maintain and collect rentals, tariffs, rates and charges in the operation of all of its business for as long as any of the bonds of this issue are outstanding that will make available, for the payment of the principal thereof and interest thereon as the same shall become due, Adjusted Gross Revenue (as the same is defined in the Bond Ordinance) in an amount equal to at least 1.30 times the then current Annual Debt Service Requirement (as the same is defined in the Bond Ordinance).

ASSIGNMENT

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

Please insert social security or other identifying 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.

Dated: _____

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

Signature Guaranteed

(Bank, Trust Company or Firm)

Authorized Officer

Section 19. Execution. The Bonds shall be executed on behalf of the Port with the manual or facsimile signatures of the President and Secretary. The Certificate of Authentication on each Bond shall be manually signed by the Registrar.

Section 20. Sale of Bonds. The Bonds shall be sold to Shearson Lehman Brothers, Inc., Foster & Marshall Division in accordance with its Bond Purchase Agreement dated June 15, 1987, and the acceptance of such proposal is hereby ratified and confirmed.

The proper officials of the Port are hereby authorized and directed to do all things necessary for the prompt execution and delivery of the Bonds and for the proper use and application of the proceeds of sale thereof.

Section 21. Appointment of Counsel. Lindsay, Hart, Neil & Weigler are hereby appointed bond counsel.

Section 22. Trust Funds and Administration. The Bond Fund and Debt Service Reserve Account created therein, Expense Fund, Construction Fund and the Sub-Accounts created therein and the Rebate Fund shall be trust funds to be administered by the Trustee pursuant to the directions contained in this Resolution.

Section 23. Investment Instructions. Any instructions regarding investments of moneys in any fund or account described herein shall be given by the Port to the Trustee.

Section 24. Interest Earnings and Transfers. Any investment earnings in any fund or account shall remain in such fund or account unless transferred upon written instructions of the Port upon the written direction of the Port filed with the Trustee. The Port hereby directs the Trustee to transfer any moneys in the Debt Service Reserve Account in excess of the Maximum Annual Debt Service on the Bonds to the Bond Fund. The Trustee shall at least annually value the investments in the Debt Service Reserve Fund at the lower of cost or market for compliance with this Section.

Section 25. Supplements and Amendments.

A. The Commission from time to time and at any time may adopt an ordinance or ordinances together with any required resolution or resolutions supplemental hereto, which ordinance or ordinances together with any required resolution or resolutions thereafter shall become a part of Ordinance No. 12 and this Resolution for one or more or all of the following purposes:

(1) To add to the covenants and agreements of the Port in this Resolution contained and other covenants and agreements thereafter to be observed, which shall

not adversely affect the interests of the owners of any Parity Bonds, or to surrender any rights or power herein reserved to or conferred upon the Port.

(2) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this Resolution or any ordinance together with any required resolution or resolutions authorizing Parity Bonds in regard to matters or questions arising under such ordinance as the Commission may deem necessary or desirable and not inconsistent with such ordinances together with any required resolution or resolutions and which shall not adversely affect the interest of the owners of Parity Bonds.

Any such supplemental ordinance together with any required resolution or resolutions of the Commission may be adopted without the consent of the owners of any Parity Bonds at any time outstanding, notwithstanding any of the provisions of subsection B of this section.

B. With the consent of the owners of not less than 65 percent in aggregate principal amount of the Parity Bonds at the time outstanding, the Port Commission may adopt an ordinance or ordinances supplemental hereto together with any required resolution or resolutions hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of Ordinance No. 12 and this Resolution or of any supplemental ordinance; provided, however, that no such supplemental ordinance together with any required resolution or resolutions shall:

(1) Extend the fixed maturity of any Parity Bonds, or reduce the rate of interest thereon, or extend the time of payments of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof without the consent of the owner of each bond so affected; or

(2) Reduce the aforesaid percentage of owners of Bonds required to approve any such supplemental ordinance, without the consent of the owners of all of the Parity Bonds then outstanding.

It shall not be necessary for the consent of the Bond-owners under this subsection B to approve the particular form of any proposed supplemental ordinance together with any required resolution or resolutions, but it shall be sufficient if such consent shall approve the substance thereof.

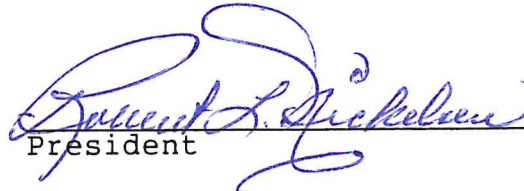
C. Upon the adoption of any supplemental ordinance pursuant to the provisions of this section, Ordinance No. 12, and this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the Port under Ordinance No. 12 and this Resolution and all holders of Parity Bonds outstanding hereunder shall thereafter be determined, exercised and enforced thereunder, subject in all respect to such modification and amendments, and all the terms and conditions of any such supplemental ordinance together with any required resolution or resolutions shall be deemed to be part of the terms and conditions of Ordinance No. 12 and this Resolution for any and all purposes.

D. Parity Bonds executed and delivered after the execution of any supplemental ordinance together with any required resolution or resolutions adopted pursuant to the provisions of this section may have a notation as to any matter provided for in such supplemental ordinance together with any required resolution or resolutions, and if such supplemental ordinance together with any required resolution or resolutions shall so provide, new bonds so modified as to conform in the opinion of the Commission, to any modification of Ordinance No. 12 and this Resolution contained in any such supplemental ordinance together with any required resolution or resolutions, may be prepared by the Port and delivered without cost to the owners of any affected Parity Bonds then outstanding.

Section 26. Severability. If any one or more of the covenants or agreements provided in this Resolution to be performed on the part of the Port shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements in this Resolution and shall in no way affect the validity of the other provisions of this Resolution or of any Parity Bonds.

ADOPTED by the Board of Port Commissioners of the Port of Hood River at a meeting thereof, held this 15th day of June, 1987.

PORT OF HOOD RIVER, OREGON



President

ATTEST:


Secretary