

RESOLUTION NO. 958

A RESOLUTION AUTHORIZING THE SALE OF REVENUE BOND
ANTICIPATION NOTES, IN AN AMOUNT NOT TO EXCEED \$1,930,000.

WHEREAS, the City Council of the City of Prineville, Oregon (the "City") finds:

A. On October 14, 2003, the City Council adopted Resolution No. 951 which authorized the City to issue revenue bonds in an amount not to exceed Two Million Five Hundred Thousand Dollars (the "Bonds") pursuant to the Uniform Revenue Bond Act (ORS 288.805 to 288.895, or the "Act"), to finance renovations to the City Hall, Police Department and Civic Plaza (the "Public Improvements"), and to pay all costs incidental thereto.

B. Sixty days have expired since publication of the required notice and no petitions have been filed which would require the City to hold an election before issuing the Bonds, and the City is therefore authorized to issue the Bonds.

C. The United States of America, acting through the Rural Housing Service ("Rural Housing"), an agency of the federal government, has issued its Letter of Conditions dated May 8, 2003, as amended, indicating that it is in the process of appropriating up to \$2,000,000 to loan the City for a portion of the costs of the Public Improvements.

D. Rural Housing requires the City to obtain interim financing in a principal amount not to exceed \$1,930,000 to finance initial engineering, construction and administrative costs associated with the construction of the Public Improvements.

E. Oregon Revised Statutes 288.165 authorize the City to borrow money and issue its notes for the interim financing of capital assets and to determine the method and terms of sale of such notes.

F. Notes issued under ORS 288.165 must mature not more than five years after the notes are issued.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF PRINEVILLE RESOLVES THAT:

Section 1. Interim Financing Notes and Lines of Credit Secured by Interim Financing Notes Authorized. The City Council hereby authorizes the issuance of Revenue Bond Anticipation Notes (the "Interim Financing Notes"), in a principal amount of not more than \$1,930,000 pursuant to ORS 288.165. The proceeds of the Interim Financing Notes shall be used for interim financing of the costs of the Public Improvements and to pay the costs of issuing the Interim Financing Notes. The Interim Financing Notes shall mature no later than five years after the Interim Financing Notes are issued and may provide for renewal, extension, or conversion to permanent financing on terms approved by the Authorized Officer, as defined

below. The City Manager/Recorder or the designee of such official (the "Authorized Officer") is hereby authorized, on behalf of the City and without further authorization by the City Council, to:

- a. Determine the final principal amount, maturity date, interest payment dates, redemption terms and other terms of the Interim Financing Notes within the limitations established in Section 1 of this Resolution;
- b. Negotiate the terms of and execute one or more lines of credit that are secured by the Interim Financing Notes with the Bank of the Cascades;
- c. Approve, deem final and authorize the distribution of preliminary and final official statements for the Interim Financing Notes;
- d. Renew, extend or convert to permanent financing the Interim Financing Notes; and
- e. Execute the Interim Financing Notes and all documents which are reasonably required, and take any other action which is desirable, in order to issue, sell and deliver the Interim Financing Notes and execute the lines of credit in accordance with this Resolution.

Section 2. Security. The Interim Financing Notes shall be paid solely from the proceeds of the Bonds, and, if the Authorized Officer finds it desirable, from revenues of the City's City Hall, Police Department and Civic Plaza.

Section 3. Protection and Disposition of Funds. The City Manager/Recorder shall be the custodian of the proceeds of all Interim Financing Notes sold hereunder and such proceeds shall be deposited in a bank which is a member of the Federal Deposit Insurance Corporation; provided, that if any or all of the Interim Financing Notes are purchased by any bank in the State of Oregon, the City Manager/Recorder may cause the funds to be deposited in the bank to the extent that it is insured by the FDIC. The proceeds of the Interim Financing Notes may also be invested in the State Investment Pool. The City Manager/Recorder is directed to establish the Construction Account described in Section 4, into which the Interim Financing Note proceeds shall be deposited, and which account shall be continued and maintained for such purpose, except as otherwise herein provided, for so long as the said Interim Financing Notes remain unpaid.

Section 4. Construction Account. The proceeds of the Interim Financing Notes hereby authorized shall be deposited in the Construction Account. The amounts in the Construction Account exceeding the insurance available from the Federal Deposit Insurance Corporation shall be secured by the depository bank in accordance with State and Federal law. Withdrawals from the Construction Account shall be made only on checks signed by the City Manager/Recorder or other officer as authorized by the City Council, countersigned by the Mayor or other authorized council member, and only for the purposes for which the Interim Financing Notes were issued as specified in the estimate of costs. The City's share of any

liquidated damages and other moneys paid by defaulting contractors or their sureties shall be deposited in the Construction Account to assure completion of the Public Improvements. When the construction of the Public Improvements has been completed, or all construction costs have been paid in full, any balance remaining in the Construction Account shall be used immediately to pay or apply on the payment of any such Interim Financing Notes as may thereafter fall due, or, if said Interim Financing Notes have been paid from the proceeds of the sale of its bonds, then the balance shall be applied to the payment of bonds in the manner prescribed by the ordinance or resolution authorizing the bonds.

Section 5. Form of Interim Financing Notes. The Interim Financing Notes may be in conventional or book-entry only form, and may be printed or typewritten. The Authorized Officer shall determine the form in which the Interim Financing Notes shall be issued.

Section 6. Execution. The Interim Financing Notes shall be executed on behalf of the City with the manual or facsimile signature of the Authorized Officer.

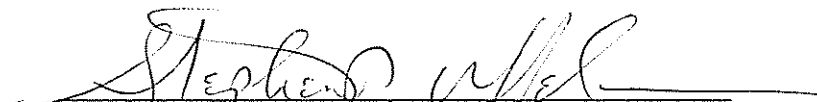
Section 7. Bank Purchase. The City Council hereby designates the Interim Financing Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The City covenants not to so designate tax-exempt obligations in the current calendar year in an aggregate amount of more than \$10,000,000. The City (and all subordinate entities thereof, if any) does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations during the current calendar year.

Section 8. Tax-Exempt Status. The City covenants not to take any action or omit any action if the taking or omission would cause interest paid on the Interim Financing Notes to be includable in gross income of the Interim Financing Noteholders for federal income tax purposes (except for environmental taxes on corporations). The Authorized Officer may enter into covenants on behalf of the City to protect the tax-exempt status of the Interim Financing Notes.

Section 9. Rebate Exemption. The City has general taxing powers. No portion of the Interim Financing Note proceeds will be used to finance property which is used in the trade or business of nongovernments, or is loaned to nongovernments. None of the Interim Financing Notes are "private activity bonds" within the meaning of Section 141 of the Code. At least ninety-five percent of the net proceeds of the Interim Financing Notes will be used for interim financing of improvements which will be owned and operated by the City. The City (and all subordinate entities thereof, if any) does not reasonably expect to issue tax-exempt obligations in the current calendar year which have an aggregate face amount of more than \$5,000,000. Accordingly, under Section 148(f)(4)(c) of the Code, no rebate to the United States is required to be paid in connection with the Interim Financing Notes.

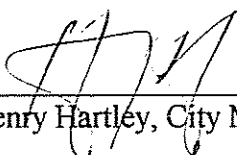
ADOPTED by the Council of the City of Prineville, Crook County, Oregon, this 9th day of March, 2004.

City of Prineville
Crook County, Oregon



Steve Uffelman, Mayor

ATTEST:



Henry Hartley, City Manager/Recorder