

RESOLUTION NO. 718

A RESOLUTION AUTHORIZING THE ISSUANCE OF AND NEGOTIATION OF THE SALE OF GRANT ANTICIPATION NOTES IN AN AMOUNT NOT TO EXCEED \$700,000.

The City of Prineville, Crook County, Oregon (the "City") finds:

A. The City is operating its wastewater treatment facilities under a Department of Environmental Quality Stipulation and Consent Order because of prior effluent discharge violations.

B. The City is taking all appropriate actions to remedy the violations and is seeking various means of securing financing including filing applications with state and federal agencies to obtain loans and grants with which to finance improvements to the City wastewater treatment facility (the "Public Improvements").

C. The Environmental Protection Agency (the "EPA"), an agency of the federal government, appropriated \$2,128,000 on April 2, 1991, to grant that amount to the City for wastewater treatment plant improvements.

D. Oregon Revised Statutes 287.522 through 287.526 (the "Act") authorize the City to borrow money and issue its notes for the interim financing of the Public Improvements and to determine the method and terms of sale of such notes.

E. Notes issued under the Act must mature not later than the estimated unpaid cost of the Public Improvements. The City estimates that the Public Improvements will be complete on July 1, 1993.

F. Notes issued pursuant to the Act shall not exceed in the aggregate the estimated unpaid cost of the Public Improvements, plus costs of issuing the notes. The aggregate unpaid costs of the Public Improvements, plus costs of issuing the notes, exceeds \$700,000.

THE CITY OF PRINEVILLE, OREGON hereby resolves as follows:

A. Notes Authorized. The Council authorizes the issuance of Grant Anticipation Notes, Series 1991 (the "Notes"), in a principal amount not to exceed \$700,000, pursuant to the Act. Note proceeds shall be used for interim financing of a portion of the Public Improvements and paying the costs of issuing the Notes. The Notes shall be dated with the date specified by the City Administrator, shall mature not later than July 1, 1991, and shall bear interest payable at maturity at a rate to be established by the City Administrator which shall not exceed a net effective rate of 8% per annum. The Notes shall be in denominations as specified by the City Administrator in consultation with the purchaser of such Notes.

B. Security. The Notes are payable from the proceeds of a grant from the EPA, and any other funds that may be available thereof.

C. Note Purchase Contract. The City Administrator is hereby authorized to negotiate the terms of the sale of the Notes. The terms of such agreement shall be binding upon the City upon execution by the City Administrator. The City Administrator shall report the terms of the agreement to the City Council.

D. Form of Notes. The Notes shall be in substantially the form attached hereto as Exhibit A. Notes may be printed or typewritten, and may be issued as one or more temporary Notes, which shall be exchangeable for definitive Notes when definitive Notes are available.

E. Execution. The Notes shall be executed on behalf of the City with the manual signature of the City Administrator.

F. Bank Purchase. The City hereby designates the 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 of the City, if any) does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations during calendar year 1991.

G. 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 Notes to be includable in gross income of the Noteholders for federal income tax purposes (except for environmental taxes on corporations). The City will not permit more than ten percent of the Public Improvements to be used for any private business use. The City Administrator may enter into covenants on behalf of the City to protect the tax-exempt status of the Notes.

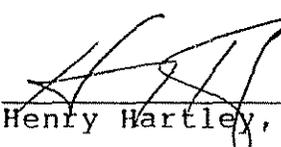
H. Rebate Exemption. The City has general taxing powers. No portion of the Note proceeds will be used to finance property which is used in the trade or business of nongovernments, or is loaned to nongovernments. None of the Notes are "private activity bonds" within the meaning of Section 141 of the Code. At least ninety-five percent of the net proceeds of the 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 calendar year 1991 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 the the Bonds.

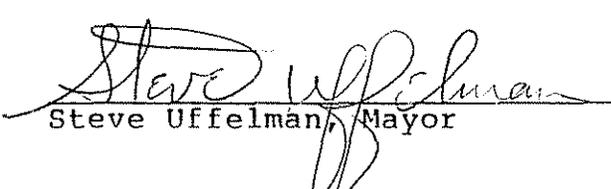
I. Authority of City Administrator. The City Administrator is hereby authorized to enter into any agreements and to execute any documents or certificates which may be required to issue, sell and deliver the Notes in accordance with this Resolution.

ADOPTED by the Council this 13th day of August, 1991.

APPROVED By the Mayor this 13th day of August, 1991.

EFFECTIVE this 13th day of August, 1991.

  
Henry Hartley, City Administrator

  
Steve Uffelman, Mayor

**EXHIBIT A  
(Note Form)**

No. 1

\$ \_\_\_\_\_

State of Oregon  
County of Crook  
City of Prineville  
Grant Anticipation Note  
Series 1991

FOR VALUE RECEIVED, the CITY OF PRINEVILLE, Crook County, Oregon (the "City") acknowledges itself indebted and hereby promises to pay, but solely from the sources specified below, to the order of \_\_\_\_\_, Portland, Oregon, the principal amount of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_) upon presentation and surrender hereof on the first day of July, 1993, or as indicated below, and to pay interest thereon from the date hereof until maturity (or earlier redemption) at the rate of \_\_\_\_\_ PERCENT (\_\_\_\_ %) PER ANNUM computed on a 30-day month, 360-day year basis. Principal and interest are payable through \_\_\_\_\_.

This Note shall mature on the earliest of the following dates: on a business day on or before July 1, 1993, or on a business day within 60 days following receipt by the City of the proceeds of its grant from the Environmental Protection Agency (the "EPA").

This Note is issued pursuant to ORS 287.522 through ORS 287.526 and Resolution No. \_\_\_\_\_ of the City adopted \_\_\_\_\_, 19\_\_\_\_ (the "Resolution"), which authorize the City to borrow funds to pay the costs of construction of certain public improvements. The Resolution states that the proceeds from the receipt of its grant from the EPA, and from any other funds available therefor, shall be used to redeem the Note.

This Note is a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

The City hereby certifies that all action necessary to authorize the issuance of this Note has been duly taken, and that this Note does not exceed any limitation on indebtedness contained in the laws of the State of Oregon or the charter of the City.

IN WITNESS WHEREOF, the City of Prineville, Oregon has caused this Note to be manually executed by its City Administrator as of this \_\_\_\_ day of \_\_\_\_\_, 1991.

City Of Prineville  
Crook County, Oregon

\_\_\_\_\_  
City Administrator