

RESOLUTION NO. 665

RESOLUTION OF THE CITY OF PRINEVILLE, COUNTY OF CROOK, STATE OF OREGON AUTHORIZING THE ISSUANCE OF BONDS FOR THE PURPOSE OF REFUNDING ITS GENERAL OBLIGATION INSTALLMENT WATER BOND NO. 1, PREVIOUSLY SOLD TO THE FARMERS HOME ADMINISTRATION.

WHEREAS, this Council submitted to the legal voters of the City of Prineville, County of Crook, State of Oregon (the "City"), the question of contracting a general obligation bonded indebtedness in the sum of One Million Eight Hundred Thousand Dollars (\$1,800,000) to finance the purchase of a water utility system; and

WHEREAS, the election was duly and legally held on the 6th day of November, 1984, and this Council canvassed the result thereof, declared that issuance of bonds in such sum had been approved by a majority of the qualified voters of the City voting at the election, and on April 10, 1986 issued its General Obligation Installment Water Bond No. 1 to the Farmers Home Administration (the "FmHA"), and

WHEREAS, on April 20, 1988 there existed an unpaid principal amount of \$1,252,273.76; and

WHEREAS, FmHA has offered to allow the City to redeem its bond held by FmHA at a discount, thus resulting in a savings to the City; and

WHEREAS, ORS 288.592 authorizes the City to refund the bond and to pay the costs of issuance thereof; now, therefore

THE CITY OF PRINEVILLE, OREGON, resolves as follows:

Section 1. Issue. For the above purposes, the City shall issue its General Obligation Water Refunding Bonds, Series 1988, in the estimated amount of ONE MILLION SEVENTY-FIVE THOUSAND DOLLARS (\$1,075,000) to be dated June 1, 1988, to be in denominations of Five Thousand Dollars (\$5,000) or integral multiples thereof, to bear interest payable on April 1 and October 1 of each year until maturity or prior redemption, commencing October 1, 1988, and to mature serially in numerical order on April 1 of each year as follows:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
1989	35,000.00	2000	40,000.00
1990	20,000.00	2001	45,000.00
1991	25,000.00	2002	45,000.00
1992	25,000.00	2003	50,000.00
1993	25,000.00	2004	55,000.00
1994	25,000.00	2005	60,000.00
1995	30,000.00	2006	65,000.00
1996	30,000.00	2007	65,000.00
1997	35,000.00	2008	70,000.00
1998	35,000.00	2009	80,000.00
1999	40,000.00	2010	85,000.00
		2011	90,000.00

Principal amounts maturing in any year may be changed after sale, depending on the discount bid for the bonds, so that the principal amount issued will approximate the unpaid principal and interest owing FmHA and to pay costs of issuance. The final aggregate principal amount of the bonds will not, however, be increased or decreased by more than \$20,000 and no serial maturity will be increased or decreased by more than \$5,000.

Section 2. Optional Designation of Term Bonds and Mandatory Redemption. Bidders may designate no more than two term bonds. Term bonds must consist of two or more consecutive maturities, and must mature on the maturity date of the last of the consecutive maturities in an amount equal to the sum of the consecutive maturities designated during the years commencing in 2003 and ending in 2011. Term bonds shall be subject to mandatory redemption at par and by lot, in the amounts and on the dates of the consecutive maturities shown in the preceding section. If no term bonds are designated in the successful bid, the bonds will mature serially on the schedule indicated above.

Section 3. Optional Redemption. The City reserves the right to redeem all or any portion of the bonds maturing after April 1, 1998, in inverse order of maturity and by lot within a maturity on April 1, 1998, and on any interest payment date thereafter, at par plus accrued interest to the date fixed for redemption.

Section 4. Notice of Redemption. Unless waived by any holder of bonds to be redeemed, official notice of any such redemption shall be given by the City's paying agent and registrar (the "Registrar") on behalf of the City by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the bond or bonds to be redeemed at the address shown on the bond register or at such other address as is furnished in writing by such registered owner to the Registrar.

All official notices of redemption shall be dated and shall state:

- A. the redemption date,
- B. the redemption price,
- C. if less than all outstanding bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the bonds to be redeemed,
- D. that on the redemption date the redemption price will become due and payable upon each such bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- E. the place where such bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Registrar.

Prior to any redemption date, the City shall deposit with the Registrar an amount of money sufficient to pay the redemption price of all the bonds or portions of bonds which are to be redeemed on that date.

Official notice of redemption having been given as aforesaid, the bonds or portions of bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such bonds or portions of bonds shall cease to bear interest. Upon surrender of such bonds for redemption in accordance with said notice, such bonds shall be paid by the Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any bond, there shall be prepared for the registered owner a new bond or bonds of the same maturity in the amount of the unpaid principal. All bonds which have been redeemed shall be cancelled and destroyed by the Registrar and shall not be reissued.

Section 5. Security. The full faith and credit of the City are pledged to the successive owners of each of the bonds for the punctual payment of such obligations, when due. The City shall levy annually, as provided by law, a direct ad valorem tax upon all of the taxable property within the City in sufficient amount, after taking into consideration discounts taken and delinquencies that may occur in the payment of such taxes and other monies available for the payment of debt service on the

bonds, to pay the bonds promptly as they mature, and that the City covenants with the owners of its bonds to levy such a tax annually during each year that any of the bonds, or bonds issued to refund them, are outstanding.

Section 6. Form of Registered Bonds. The City may issue the bonds as one or more typewritten, temporary bonds which shall be exchangeable for definitive bonds when definitive bonds are available. The bonds shall be in substantially the following form:

No. R- _____

\$ _____

UNITED STATES OF AMERICA
STATE OF OREGON
CITY OF PRINEVILLE
COUNTY OF CROOK
GENERAL OBLIGATION WATER REFUNDING BOND, SERIES 1988

DATED INTEREST % PER ANNUM MATURITY DATE CUSIP

THE CITY OF PRINEVILLE, in the County of Crook, State of Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to

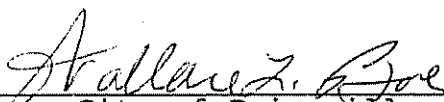
_____, or registered assigns, the principal amount of _____ Dollars (\$ _____) on the above maturity date together with interest thereon from the date hereof at the rate per annum indicated above. Interest is payable semiannually on the first day of April, and the first day of October, in each year until maturity or prior redemption, commencing October 1, 1988. Interest upon this bond is payable through the principal corporate trust office of the City's paying agent and registrar (the "Registrar") by check or draft; checks or drafts will be mailed on the interest payment date (or the next business day if the interest payment date is not a business day) to the name and address of the registered owner as they appear on the bond register as of the fifteenth day of the month prior to the interest payment date. Bond principal is payable at maturity upon presentation and surrender of this bond to the Registrar.

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

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this bond have

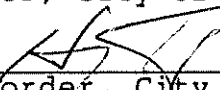
existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon and the Charter of the City; that the issue of which this bond is a part, and all other obligations of such City, are within every debt limitation and other limit prescribed by such Constitution, Statutes and Charter; and that the City Council has provided for the levying annually of a direct ad valorem tax upon all the property within the boundaries of the City so taxable for its purposes in an amount sufficient, with other available funds, to pay the interest on and the principal of the bonds of such issue as such obligations become due and payable.

IN WITNESS WHEREOF, the City Council of the City of Prineville, Crook County, Oregon, has caused this bond to be signed by facsimile signature of its Mayor and attested by facsimile signature of its Recorder, and has caused its seal to be affixed hereto or printed hereon as of the date indicated above.



Mayor, City of Prineville, Oregon

(SEAL)



Recorder, City of Prineville, Oregon

THIS BOND SHALL NOT BE VALID UNLESS
PROPERLY AUTHENTICATED BY THE REGISTRAR
IN THE SPACE INDICATED BELOW.

DATED:

CERTIFICATE OF AUTHENTICATION

This is one of the City's General
Obligation Water Refunding Bonds, Series
1988, issued pursuant to the Resolution
described herein.

FIRST INTERSTATE BANK OF OREGON, N.A.,
as Registrar

By _____
Authorized Officer

Note to Printer: The following language should be printed on the reverse of the bond:

This bond is one of a series of approximately \$1,075,000 aggregate principal amount of General Obligation Water Refunding Bonds, Series 1988, of the City, and is issued by the City for the purpose of refunding its General Obligation Water Bond No. 1 in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City.

The City reserves the right to redeem all or any portion of the Bonds maturing after April 1, 1998 in inverse order of maturity and by lot within a maturity on April 1, 1998 and on any interest payment date thereafter, at par plus accrued interest to the date fixed for redemption.

Note to Printer: Insert if applicable:

The bonds maturing April 1 _____, shall be subject to mandatory redemption, by lot, at the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, in the amounts and on the dates set forth below:

<u>Redemption Date</u>	<u>Principal Amount</u>
<u>April 1</u>	

§

Bonds optionally redeemed by the City may be credited against the mandatory redemption by lot as determined by the Registrar.

Notice of any call or redemption, unless waived by any holder of bonds to be redeemed, shall be mailed not less than thirty days and not more than sixty days prior to such call to the registered owners of the Bonds, and otherwise given as required by law and the authorizing bond resolution (the "Resolution"); however, any failure to give notice shall not invalidate the redemption of the bonds. All bonds called for redemption shall cease to bear interest from the date designated in the notice.

The bonds are issuable in the form of registered bonds without coupons in the denominations of \$5,000 or any integral multiple thereof. Bonds may be exchanged for bonds of the same aggregate principal amount, but different authorized denominations.

Any transfer of this bond must be registered, as provided in the Resolution upon the bond register kept for that purpose at the office of the Registrar. The City and the Registrar may treat the person in whose name this bond is registered as its absolute owner for all purposes, as provided in the Resolution.

The bondowner may exchange or transfer any bond only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Registrar and duly executed by the registered owner or his duly authorized attorney, at the office of the Registrar in the manner and subject to the conditions set forth in the Resolution.

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 Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of the within bond, shall be construed as though they were written out in full according to applicable laws or regulations.

bonds shall be exchanged or transferred promptly following that payment date.

- E. The Registrar shall note the date of authentication on each bond. The date of authentication shall be the date on which the bondowner's name is listed on the bond register.
- F. For purposes of this section, bonds shall be considered submitted to the Registrar on the date the Registrar actually receives the materials described in subsection E. of this section.
- G. The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all bondowners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

Section 8. Maintenance of Tax-Exempt Status. The City covenants for the benefit of the owners of the bonds to comply with all provisions of the Internal Revenue Code of 1986, as amended (the "Code") which are required for bond interest to be excluded from gross income for federal income tax purposes under present federal income tax laws (except for certain taxes on corporations), unless the City obtains an opinion of nationally recognized bond counsel that such compliance is not required in order for the interest paid on the bonds to be so excluded. The City makes the following specific covenants with respect to the Code:

- A. The City shall not take any action or omit any action, if it would cause the bonds to become "arbitrage bonds" under Section 148 of the Code.
- B. The City shall operate the facilities financed with the Bonds so that the Bonds are not "private activity bonds" within the meaning of Section 141 of the Code.

The covenants contained in this section and any covenants in the closing documents for the bonds shall constitute contracts with the owners of the bonds, and shall be enforceable by them.


Section 9. Designation of Bonds as Qualified Tax-Exempt Obligations. The City designates the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of 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 does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations during the current

calendar year.

Section 10. Sale of Bonds. The Recorder shall cause to be published in the Central Oregonian, Prineville, Oregon, and in the Daily Journal of Commerce, Portland, Oregon, notices of sale of the bonds in the form substantially as shown on Exhibit A attached hereto and by this reference incorporated herein, or summaries, as provided by law. The bonds shall be sold upon the terms provided in the attached Exhibit A. The bonds shall be sold on the date and at the time and place stated in Exhibit A, unless the Mayor or Recorder establishes a different date, time, or place.

ADOPTED by the unanimous vote of the Council, with a quorum in attendance, this 24th day of May, 1988.


APPROVED by the Mayor this 24th day of May, 1988.



Mayor

Executed this 24th day of May, 1988.

ATTEST:



Recorder

EXHIBIT A

OFFICIAL NOTICE OF BOND SALE

APPROXIMATELY
\$1,075,000
CITY OF PRINEVILLE
COUNTY OF CROOK
STATE OF OREGON
GENERAL OBLIGATION WATER REFUNDING BONDS, SERIES 1988

NOTICE IS HEREBY GIVEN that sealed bids will be received on behalf of the City of Prineville, Crook County, Oregon (the "City"), for the purchase of its General Obligation Water Refunding Bonds, Series 1988 (the "bonds"), until 11:00 o'clock a.m. (Pacific Time) on Tuesday, June 14, 1988, at the offices of Lindsay, Hart, Neil & Weigler, Lawyers, Suite 1800, 222 S. W. Columbia Street, Portland, Oregon 97201-6618, at which time they will be publicly opened and announced.

The bids shall be considered and acted upon by the City within four hours.

ISSUE: The issue shall be in the aggregate principal estimated amount of ONE MILLION SEVENTY-FIVE THOUSAND DOLLARS (\$1,075,000) consisting of registered bonds in denominations of Five Thousand Dollars (\$5,000) or integral multiples thereof, all dated June 1, 1988.

INTEREST RATE: The maximum interest rate shall not exceed a true interest cost of ten percent (10%) per annum. Interest is payable semiannually on April 1 and October 1 of each year until maturity or prior redemption, commencing October 1, 1988. Bidders must specify the interest rate or rates which the bonds hereby offered for sale shall bear. The bids shall comply with the following conditions: (1) each interest rate specified in any bid must be a multiple of 1/8th or 1/20th of one percent (1%); (2) no bond shall bear more than one rate of interest; (3) each bond shall bear interest from its date to its stated maturity date at the interest rate specified in the bid; (4) all bonds maturing at any one time shall bear the same rate of interest; (5) no rate of interest may exceed fourteen percent (14%); and (6) the rate bid for any maturity shall not be less than the rate bid for any earlier maturity.

MATURITIES: The bonds shall mature serially in numerical order on the first day of April of each year as follows:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
1989	35,000.00	2000	40,000.00
1990	20,000.00	2001	45,000.00
1991	25,000.00	2002	45,000.00
1992	25,000.00	2003	50,000.00
1993	25,000.00	2004	55,000.00
1994	25,000.00	2005	60,000.00
1995	30,000.00	2006	65,000.00
1996	30,000.00	2007	65,000.00
1997	35,000.00	2008	70,000.00
1998	35,000.00	2009	80,000.00
1999	40,000.00	2010	85,000.00
		2011	90,000.00

Principal amounts maturing in any year may be changed after sale, depending on the discount bid for the bonds, so that the principal amount issued will approximate the unpaid principal and interest owing FmHA and to pay costs of issuance. The final aggregate principal amount of the bonds will not, however, (1) be increased or decreased by more than \$20,000 and (2) no serial maturity will be increased or decreased by more than \$5,000.

OPTIONAL DESIGNATION OF TERM BONDS AND MANDATORY REDEMPTION: Bidders may designate not more than two term bonds. Term bonds must consist of two or more consecutive maturities, and must mature on the maturity date of the last of the consecutive maturities in an amount equal to the sum of the consecutive maturities designated during the years commencing in 2003 and ending in 2011. Term bonds shall be subject to mandatory redemption at par and by lot, in the amounts and on the dates of the consecutive maturities shown in the preceding section. If no term bonds are designated in the successful bid, the bonds will mature serially on the schedule indicated above.

OPTIONAL REDEMPTION: The City reserves the right to redeem all or any portion of the bonds maturing after April 1, 1998 in inverse order of maturity and by lot within a maturity on April 1998 and on any interest payment date thereafter, at par plus accrued interest to the date fixed for redemption.

NOTICE OF REDEMPTION: Notice of any call or redemption, unless waived by any holder of the bonds to be redeemed, shall be mailed not less than thirty days and not more than sixty days prior to such call to the registered owners of the bonds, and otherwise given as required by law and the authorizing bond resolution; however, any failure to give notice shall not invalidate the redemption of the bonds. All bonds called for redemption shall cease to bear interest from the date designated in the notice.

REGISTRATION: The bonds will be issued in fully registered form, and may be exchanged at the expense of issuer for similar bonds of different authorized denominations. Bonds may not be converted to bearer form.

PAYMENT: Interest on the bonds shall be payable by check or draft through the principal corporate trust office of the registrar and paying agent of the City, which is currently First Interstate Bank of Oregon, N.A., in Portland, Oregon (the "Registrar"). Interest shall be mailed by the Registrar on the interest payment date (or the next business day if the interest payment date is not a business day) to registered owners of the bonds as they appear on the bond register as of the fifteenth day of the month prior to the interest payment date. Bond principal shall be payable upon presentation and surrender of the maturing bond to the Registrar.

PURPOSE: The bonds are being issued to refund bonds held by the Farmers Home Administration, pursuant to ORS 288.592.

SECURITY: The bonds are general obligations of the City. The City has covenanted to levy an ad valorem tax annually which, with other available funds, will be sufficient to pay bond principal and interest as they come due.

LEGAL OPINION: The approving opinion of Lindsay, Hart, Neil & Weigler, Lawyers, Portland, Oregon, will be provided at no cost to the purchaser, and will be printed on the bonds at the expense of the City.

TAX EXEMPT STATUS: In the opinion of bond counsel, assuming compliance by the City with its covenants relating to the tax-exempt status of the bonds, interest on the bonds is excluded from gross income for federal tax purposes under present federal income tax laws (except for certain taxes on corporations) and is exempt from personal income taxation by the State of Oregon under present state law. The bonds are not "private activity bonds" under Section 141 of the Internal Revenue Code of 1986, as amended (the "Code").

Bond counsel expresses no opinion regarding other federal tax consequences arising with respect to the bonds.

The City has the legal authority to comply with its covenants.

BANK PURCHASE: The City has designated the bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

BEST BID: The bonds will be awarded to the responsible bidder whose proposal will result in the lowest true interest cost to the City. True interest cost will be determined by doubling the semiannual interest rate necessary to discount the debt service to June 1, 1988 and the price bid for the bonds. Each bidder is requested to supply the total interest cost and the true interest cost that the City will pay upon the issue if the bid is accepted. The purchaser must pay accrued interest, computed on a 360-day basis, from the date of the bonds to the date of delivery. The cost of printing the bonds will be paid by the City.

REOFFERING PRICE: Not less than three business days prior to closing, the successful bidder agrees to provide to the City and Bond Counsel a certificate stating its bona fide initial reoffering prices to the public and sales of the bonds appropriate for determination of yield on the bonds under the Code. This certification shall constitute the agreement of the bidder to offer all bonds in each maturity for sale to the general public at a price no greater than the certified reoffering price until at least ten percent of the principal amount of each maturity is sold at a price less than or equal to the certified reoffering price to the general public. Failure to honor this agreement may result in cancellation of the sale and forfeiture of the bidder's good faith deposit.

DELIVERY: Delivery of the bonds will be made without cost to the successful bidder at such bank in the City of Portland, Oregon, as the successful bidder shall name. Payment for the bonds must be made in federal funds. Delivery of the bonds will be made within thirty days.

FORM OF BID: All bids must be for not less than all the bonds hereby offered for sale, and for not less than ninety-eight and one-half percent (98.5%) of the par value thereof and accrued interest to the date of delivery. Each bid together with bidder's check as herein specified must be enclosed in a sealed envelope addressed to the City and designated "Proposal for Bonds."

BID CHECK: All bids must be unconditional and accompanied by a certified or cashier's check on a bank doing business in the State of Oregon for TWENTY-ONE THOUSAND FIVE HUNDRED DOLLARS (\$21,500) payable to the order of the City to secure the City from any loss resulting from the failure of the bidder to comply with the terms of its bid. Checks will be forfeited to the City as liquidated damages in case the bidder to whom the bonds are awarded withdraws its bid or fails to complete its purchase in accordance with the terms thereof. No interest shall be allowed on the deposit but the check of the successful bidder will be retained as part payment of the bonds or for liquidated damages as described above. Checks of the

unsuccessful bidders will be returned by the City promptly.

RIGHT OF REJECTION: The City reserves the right to reject any or all bids, and to waive any irregularities.

OFFICIAL STATEMENT: The City has prepared an official statement relating to the bonds, a copy of which will be furnished upon request to its financial consultant Seattle-Northwest Securities, 1300 S. W. Fifth Ave., Suite 3030, Portland, Oregon 97201.

POTENTIAL BID: The financial consultant may submit a bid or participate in a bidding syndicate.

CUSIP: CUSIP numbers will be imprinted upon all bonds of this issue at the City's expense. Failure to print, or improperly imprinted numbers will not constitute basis for the purchaser to refuse to accept delivery.

NO LITIGATION: At the time of payment for the delivery of said bonds, the City will furnish the successful bidder a certificate that there is no litigation pending affecting the validity of the bonds.

FURTHER INFORMATION: Additional information regarding the City and this sale may be obtained from Henry Hartley, City Administrator/Recorder 400 Third Street, Prineville, Oregon 97754; telephone 503-447-5627.

Henry Hartley, Administrator/Recorder
City of Prineville, Oregon