

RESOLUTION NO. 925

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF LIMITED TAX IMPROVEMENT BONDS, SERIES 2002, IN AN AMOUNT NOT TO EXCEED \$565,000, FOR THE PURPOSE OF FINANCING LOCAL IMPROVEMENTS AND REFUNDING A PORTION OF AN OUTSTANDING PROMISSORY NOTE.

THE CITY COUNCIL OF THE CITY OF PRINEVILLE, CROOK COUNTY, OREGON (THE "CITY") FINDS AS FOLLOWS:

A. The City previously borrowed \$1,500,000 from the KeyBank National Association (the "Bank") pursuant to its Limited Tax Improvement Bond Anticipation Note, Series 2001, dated May 17, 2001, (the "Note") which has an extended maturity date of February 15, 2003, which funds were used to finance the Northridge I and II Local Improvement District (the "Northridge LID") water facilities (the "Project").

B. The costs of construction of a reservoir, a component of the Project, has been withdrawn from the Northridge LID and the reservoir will be financed from the sale of revenue bonds and the balance of the Note will be refunded from the proceeds of the sale of these limited tax bonds.

C. The City has completed the Project, levied final assessments, and now desires to contract long term financing and refund a portion of the Note.

D. The City is authorized pursuant to the Constitution and laws of the State of Oregon to issue limited tax bonds to finance the Project pursuant to ORS 223.235 and ORS 288.155.

E. It is desirable to issue limited tax bonds to finance the Project to refund its outstanding Note, and to pay costs of issuing the limited tax bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PRINEVILLE, a municipal corporation of the State of Oregon, as follows:

Section 1. Authorization.

1.1. The City shall issue its Limited Tax Improvement Bonds, Series 2002 or such other series as determine by the City Manager (the "Bonds") to finance local improvements in the City, to partially refund the Note, and to pay costs of issuance of issuing the Bonds. The Bonds shall be issued in a principal amount of not more than \$565,000, and shall be sold at an interest rate of not more than 5.00 percent per annum. The City Manager or the City Manager's designee (the "City Manager") may, on behalf of the City:

1.1.1. select one or more underwriters or lenders and negotiate the sale of the Bonds with those underwriters or lenders or publish a notice of sale, receive bids and

award the sale of the Bonds to the bidder complying with the notice and offering the most favorable terms to the City;

1.1.2. participate in the preparation of, authorize the distribution of, and deem final the preliminary and final official statements and any other disclosure documents for the Bonds;

1.1.3. establish final principal amounts, maturity schedules, interest rates, sale prices, redemption terms, payment terms and rates, and other terms of the Bonds;

1.1.4. undertake to provide continuing disclosure for the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission;

1.1.5. issue, sell and deliver the Bonds; and,

1.1.6. take any other action or execute any agreement required in connection with the sale of the Bonds which the City Manager finds will be advantageous to the City.

Section 2. Security.

2.1. The City has assessed benefited properties for the costs of the Project and has received applications to pay assessments in installments. The Bonds shall be issued in an amount not greater than the unpaid balance of all such applications plus an amount necessary to pay financing costs. Each assessment is exempt from the limitation provided in Section 11b(1), Article XI of the Oregon Constitution, because each assessment constitutes an assessment for a "local improvement" within the meaning of Section 11b(2)(d), Article XI of the Oregon Constitution. All installment assessment payments, delinquent payments and foreclosure proceeds shall be placed in the Series 2002 Account of the Bancroft Bond Redemption Fund or such similar fund and applied to the payment of principal and interest on the Bonds.

2.2. The City hereby pledges all amounts required to be paid to the City under all contracts for installment payment of final assessments for the Project, and the net proceeds of foreclosing any such assessments (the "Assessment Payments").

2.3. In addition, the full faith and credit of the City are pledged to the owners of the Bonds for the punctual payment of such obligation, when due. The Bonds are a limited tax improvement bond of the City, and the City shall pay the Bonds from all taxes and other legally available general funds of the City to the extent that Assessment Payments are not sufficient to pay the Bonds.

Section 3. Bond Form.

The Bonds shall be in substantially the form attached hereto as Exhibit A.

Section 4. Maintenance of Tax-Exempt Status.

4.1. 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. The City makes the following specific covenants with respect to the Code:

4.1.1. 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 and shall pay any rebates or penalties to the United States which are required by Section 148(f) of the Code.

4.1.2. 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.

4.2. 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 5. Bond Book-Entry-Form.

The Bonds shall be initially issued in book entry only ("BEO") form through the Depository Trust Company of New York, New York, or its successor ("DTC"). The City Manager has executed a letter of representations with DTC. While the Bonds are in BEO form:

5.1. No physical Bonds shall be provided to beneficial owners of the Bonds.

5.2. Registration and transfer of beneficial interests in the Bonds shall be governed by the operational arrangements of DTC or any substitute depository, as they may be amended from time to time, as provided in the Letter of Representations.

5.3. Except as may be provided in any agreement with a bond insurer, DTC or its nominee shall be treated as the Owner of the Bonds for all purposes, including payment and the giving of notices to Owners. Bond payments shall be made, and notices shall be given, to DTC or its nominee as provided in the Letter of Representations. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect shall not affect the validity of the redemption of Bonds called for redemption or of any other action premised on such notice.

5.4. The City may discontinue maintaining the Bonds in BEO form at any time. The City shall discontinue maintaining the Bonds in BEO form if DTC determines not to continue to act as securities depository for the Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.

5.5. If the City discontinues maintaining the Bonds in BEO form, the City shall cause the registrar and paying agent for the Bonds (the "Paying Agent") to authenticate and

deliver to the beneficial owners or their nominees replacement Bonds in fully registered form in denominations of \$5,000 or integral multiples.

5.6. While the Bonds are in BEO form, the City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:

5.6.1. the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any participant's or beneficial owner's interest in the Bonds;

5.6.2.. the delivery to any participant or correspondent or any other person of any notice with respect to the Bonds, including any notice of redemption or purchase;

5.6.3. the selection by DTC of the beneficial interest in Bonds to be redeemed prior to maturity; or

5.6.4. the payment to any participant, correspondent, or any other person other than the registered owner of the Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal, premium, if any, or interest on the Bonds.

5.7. The City shall pay or cause to be paid all principal, premium and interest on the Bonds only to or upon the order of the Owners, as shown in the registration books maintained by the Paying Agent, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligation with respect to payment thereof to the extent of the sum or sums so paid.

5.8. The provisions of this Section 5 may be modified without the consent of the beneficial owners in order to conform this Section 5 to the standard practices of DTC or any substitute depository for obligations issued in BEO form.

Section 6. Places of Payment and Paying Agents.

6.1. While the Bonds are in BEO form, the Paying Agent shall pay Bond principal, interest and any redemption price to DTC or its nominee in accordance with the Letter of Representations.

6.2. While the Bonds are not in BEO form, Bond principal, interest and redemption price, if any, shall be payable through the corporate trust office of the Paying Agent, by a check drawn on the Paying Agent and mailed on the interest payment date to the Owners, as shown on the record date in the registration books maintained by the Paying Agent for the Bonds.

Section 7. Notice of Redemption.

7.1. Unless a shorter period is agreed to by the Paying Agent, the City shall give the Paying Agent at least thirty (30) days' prior written notice of any proposed optional redemption of the Bonds.

7.2. Unless the notice states that the redemption is conditioned upon receipt by the Paying Agent of sufficient funds for redemption, the notice shall contain a certification by the City that it has funds available to it sufficient to pay in full the principal, premium (if any) and interest portions of the redemption price of the Bonds to be redeemed.

7.3. While the Bonds are in BEO form, the Paying Agent shall give notice of redemption only to DTC or its nominee, in the manner required by the rules of DTC.

7.4. The Paying Agent shall give notice of redemption under this Section 7.4 only for the Bonds which are not then in BEO form. The notice shall specify the date of redemption, the redemption price, CUSIP numbers, maturity date, and the place or places where amounts due upon such redemption will be payable and any other information which may be required to identify the Bonds which are to be redeemed. The notice may state that the redemption is conditioned upon the deposit with the Paying Agent of sufficient funds to pay the redemption price of the Bonds to be redeemed. The notice shall state that, provided that sufficient funds are on deposit with the Paying Agent, the Bonds which are being called for redemption shall become due and payable on the date specified in the notice, and that interest on those Bonds shall cease to accrue on that date. The Paying Agent shall mail a copy of such notice by first class mail, postage prepaid, not less than thirty (30) days before the redemption date, to the Owners of any Bonds which are to be redeemed, at their last address, if any, appearing upon the registration books as of the record date, but no defect in any notice and no failure to give any notice shall invalidate the redemption of any Bonds for which proper notice was given. No notice of redemption need be given to any Owners of any Bonds who have filed a written waiver of notice with the Paying Agent. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner actually receives the notice.

Section 8. Authentication, Registration And Transfer.

8.1. No Bond shall be entitled to any right or benefit under this resolution unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all Bonds to be delivered at closing of the Bonds, and shall additionally authenticate all Bonds properly surrendered for exchange or transfer pursuant to this resolution.

8.2. The ownership of all Bonds shall be entered in the bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the bond register as the owner of the Bond for all purposes.

8.3. While the Bonds are in book-entry form, the Paying Agent shall transfer Bond principal and interest payments to DTC in the manner required by DTC.

8.4. If the Bonds cease to be in book-entry form, the Paying Agent shall mail each interest payment on the interest payment date (or the next business day if the payment date is not a business day) to the name and address of the Owners as they appear on the bond register as of record date. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.

8.5. Bonds may be exchanged for an equal principal amount of Bonds of the same maturity which are in different denominations, and Bonds may be transferred to other owners if the Owner submits the following to the Paying Agent:

8.5.1. written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or the Owner's attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent; and

8.5.2. the Bonds to be exchanged or transferred.

8.6. The Paying Agent shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a record date and ending on the next following payment date; however, such Bonds shall be exchanged or transferred promptly following that payment date.

8.7. The Paying Agent shall note the date of authentication on each Bond. The date of authentication shall be the date on which the Owner's name is listed on the Bond register.

8.8. For purposes of this section, Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 8.5.

8.9. The City may alter these provisions regarding registration and transfer without consent of Owners in order to conform to changes in registration customs by mailing notification of the altered provisions to all Owners. 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 9. Defeasance.

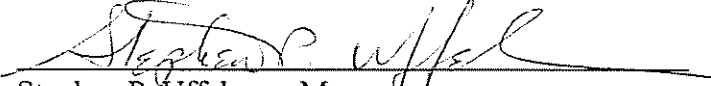
The City may defease the Bonds by setting aside, with a duly appointed escrow agent, in a special escrow account irrevocably pledged to the payment of the Bonds to be defeased, cash or direct obligations of the United States in an amount which, in the opinion of a certified public accountant satisfactory to the escrow agent, without reinvestment, is at least equal to the principal amount of the Bonds to be defeased, plus interest which will accrue thereon until maturity or any earlier date for which the issuer has given irrevocable instructions for redemption. Such Bonds shall be paid hereunder, and shall cease to be entitled to any lien, benefit or security under this Bond Resolution except the right to receive payment from such special escrow account; such Bonds shall not for any purpose of this Bond Resolution be deemed outstanding.

Section 10. Bank Designation.

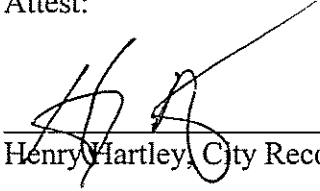
The City has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code. The City (and all subordinate entities thereof, if any) reasonably expects not to issue more than \$10,000,000 of tax-exempt obligations during the current calendar year.

The foregoing Resolution adopted this 12th day of November, 2002.

City of Prineville


Stephen P. Uffelman, Mayor

Attest:


Henry Hartley, City Recorder

**Exhibit A
Form of Bond**

No. R-1

\$ _____

United States of America
State of Oregon
City of Prineville
Crook County, Oregon
Limited Tax Improvement Bonds
2002 Series

Dated Date:

Interest Rate: _____%

Maturity Date: November 15, 20__

CUSIP Number:

Registered Owner: ----- Cede & Co.-----

Principal Amount: ----- Dollars-----

THE CITY OF PRINEVILLE, in Crook County, State of Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner, or registered assigns, the above Principal Amount 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 fifteenth day of November and on the fifteenth day of May in each year until maturity or prior redemption, commencing November 15, 2003. Principal and interest payments shall be received by Cede & Co., as nominee of The Depository Trust Company, or its registered assigns, on each payment date. Such payments shall be made payable to the order of "Cede & Co."

This Bond is one of an authorized issue of Bonds by the City entitled Limited Tax Improvement Bonds, Series 2002, in the aggregate principal amount of \$565,000 (the "Bonds"), and is issued by the City to refinance its Limited Tax Improvement Bond Anticipation Note, Series 2001, pursuant to a resolution of the City, dated _____, 2002 (the "Resolution") and Oregon Revised Statutes Sections 223.205 to 223.295, 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 Bonds are initially issued as a book-entry-only security issue with no certificates provided to the Bondowners. Records of Bond ownership will be maintained by the Registrar and The Depository Trust Company and its participants.

The Bonds are subject to optional redemption on any interest payment date without premium or penalty.

Notice of any call for redemption shall be given as required by the Letter of Representations to The Depository Trust Company, as referenced in the Resolution. Interest on any Bond or Bonds so called for redemption shall cease on the redemption date designated in the notice. The Registrar, will notify The Depository Trust Company promptly of any Bonds called for redemption.

Any transfer of this Bond must be registered, as provided in the Resolution, upon the bond register kept for that purpose by the Registrar. Upon registration, a new registered Bond or Bonds, of the same series and maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Resolution. The Registrar and the Issuer may treat the person in whose name this Bond is registered as its absolute owner for all purposes, as provided in the Resolution.

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER

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USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest 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 limits prescribed by such Constitution, Statutes and Charter and that the City Council has pledged the Assessment Payments, as defined in the Resolution, and the City's full faith and credit to pay the interest on and the principal of the Bonds.

IN WITNESS WHEREOF, the Council of the City of Prineville, Oregon, has caused this Bond to be signed by facsimile signature of its Mayor and attested by facsimile signature of its Recorder, as of the date indicated above.

Mayor

Attest:

Recorder

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

Certificate of Authentication

This is one of the City's Limited Tax Improvement Bonds, Series 2002, issued pursuant to the Resolution described herein.

Date of Authentication: _____

«Paying Agent», as Registrar

Authorized Officer

Assignment

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

[Please insert social security or other identifying number of assignee]

this 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 this 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 this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM -- tenants in common
TEN ENT -- as tenants by the entireties
JT TEN -- as joint tenants with right of survivorship and not as tenants in common
OREGON CUSTODIANS use the following
_____ CUST UL OREG _____ MIN
as custodian for (name of minor)
OR UNIF TRANS MIN ACT
under the Oregon Uniform Transfer to Minors Act

Additional abbreviations may also be used though not in the list above.