

RESOLUTION NO. 899

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF LIMITED TAX IMPROVEMENT BOND, SERIES 2001, IN AN AMOUNT NOT TO EXCEED \$92,000, FOR THE PURPOSE OF FINANCING LOCAL IMPROVEMENTS AND PAYING PROMISSORY NOTE.

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

A. The City previously borrowed \$92,309.87 from the Community First Bank (the "Bank") pursuant to a Promissory Note, dated June 27, 2001, (the "Note") which has a maturity date of August 24, 2001, which funds were used to finance the Spruce Lane Sewer Local Improvement District sewer facilities (the "Project").

B. The City has completed the Project, levied final assessments, and now desires to contract long term financing with the Bank and refund the Note.

C. 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.

D. 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 Bond, Series 2001 (the "Bond") to finance local improvements in the City, to refund the Note, and to pay costs of issuance of issuing the Bond. The Bond shall be issued in a principal amount of not more than \$92,000, and shall be sold at an interest rate of not more than 5.25 percent per annum. The City Manager or the City Manager's designee (the "City Manager") may, on behalf of the City:

1.1.1. establish the final principal amount, maturity schedule, interest rates, redemption terms, payment terms and dates, and other terms of the Bond, and the terms under which the Bond is offered for sale;

1.1.2. negotiate, issue, sell the bond and execute a Bond Purchase Agreement and deliver the Bond to the Bank without further action by the City Council;

1.1.3. take any other action, sign such agreement, required in connection with the sale of the Bond 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 Bond 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 2001 Account of the Bancroft Bond Redemption Fund or such similar fund and applied to the payment of principal and interest on the Bond.

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 Bond for the punctual payment of such obligation, when due. The Bond is a limited tax improvement bond of the City, and the City shall pay the Bond from all taxes and other legally available general funds of the City to the extent that Assessment Payments are not sufficient to pay the Bond.

Section 3. Bond Form.

The Bond 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 Bond 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 Bond to become an "arbitrage bond" 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 Bond so that the Bond is not a "private activity bond" 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 Bond shall constitute contracts with the owners of the Bond, and shall be enforceable by them.

Section 5. Defeasance.

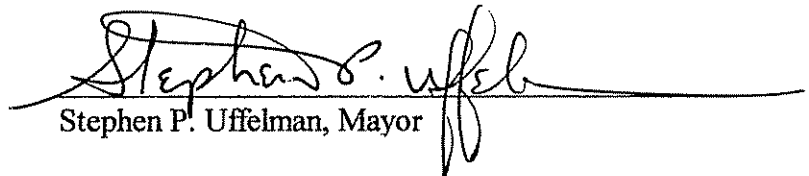
The City may defease the Bond by setting aside, with a duly appointed escrow agent, in a special escrow account irrevocably pledged to the payment of the Bond to be defeased, cash or direct obligations of the United States in an amount which, in the opinion of a certified public accountant satisfactory to the escrow agent, without reinvestment, is at least equal to the principal amount of the Bond 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 Bond 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 Bond shall not for any purpose of this Bond Resolution be deemed outstanding.

Section 6. Bank Designation.

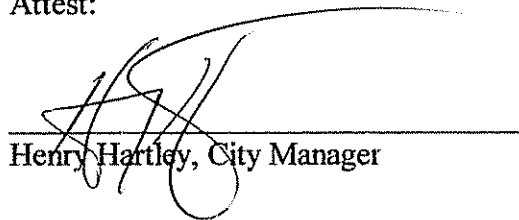
The City has designated the Bond as a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Code. The City (and all subordinate entities thereof, if any) reasonably expects not to issue more than \$10,000,000 of tax-exempt obligations during the current calendar year.

The foregoing Resolution adopted this 15th day of August, 2001.

City of Prineville


Stephen P. Uffelman, Mayor

Attest:


Henry Hartley, City Manager

**EXHIBIT A
FORM OF BOND**

No. R-1

\$92,000

**UNITED STATES OF AMERICA
STATE OF OREGON
CITY OF PRINEVILLE
LIMITED TAX IMPROVEMENT BOND
SERIES 2001**

The City of Prineville, Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the Community First Bank (the "Bank"), the principal amount of \$92,000 in the following installments on the following dates, together with interest on those installments at the following rates and the following amounts:

<u>Payment Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Interest Amount</u>
February 24, 2002			
August 24, 2002	\$9,200.00		
February 24, 2003			
August 24, 2003	9,200.00		
February 24, 2004			
August 24, 2004	9,200.00		
February 24, 2005			
August 24, 2005	9,200.00		
February 24, 2006			
August 24, 2006	9,200.00		
February 24, 2007			
August 24, 2007	9,200.00		
February 24, 2008			
August 24, 2008	9,200.00		
February 24, 2009			
August 24, 2009	9,200.00		
February 24, 2010			
August 24, 2010	9,200.00		
February 24, 2011			
August 24, 2011	9,200.00		

Interest is payable semiannually on the 24th days of February and August of each year, commencing February 24, 2002, and shall be computed on the basis of a 360-day year of twelve 30-day months.

This Bond is subject to redemption on any date without penalty, upon one business day's prior notice to the Bank.

This Bond is the City's Limited Tax Improvement Bond, Series 2001. This Bond is issued to refund a promissory note issued to the Bank to finance a portion of the costs of the City's Spruce Lane Sewer Local Improvement District sewer facility. This Bond is issued under and pursuant to Resolution No. 879 of the City adopted August 14, 2001 (the "Resolution") and 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.

This Bond is a valid and legally binding obligation of the City. The City has granted a first lien on and pledge of the Assessment Payments (as defined in the Resolution) to pay this Bond. The full faith and credit of the City are also pledged for the punctual payment of the principal of and interest on this Bond and the City has covenanted to pay this Bond from its legally available general funds to the extent that the Assessment Payments are

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not sufficient. This Bond does not constitute a debt or indebtedness of Crook County, the State of Oregon, or any political subdivision thereof other than the City.

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; and that the issue of which this Bond is a part, and all other obligations of the City, are within every debt limitation and other limit prescribed by such Constitution and Statutes and City Charter.

IN WITNESS WHEREOF, the Council of the City of Prineville, Oregon, by Resolution duly passed, has caused this Bond to be signed by its Mayor and countersigned by its City Manager, all as of the 24th day of August, 2001.

City of Prineville, Oregon

Mayor

City Manager