

RESOLUTION NO. 730

A RESOLUTION OF THE CITY OF PRINEVILLE, CROOK COUNTY, OREGON, AUTHORIZING EXECUTION OF A LOAN AGREEMENT WITH THE DEPARTMENT OF ENVIRONMENTAL QUALITY OF THE STATE OF OREGON.

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

WHEREAS, the City of Prineville, Crook County, Oregon has undertaken construction of certain City sewerage improvements (the "Project") and has issued its First Lien Sewer Revenue Bonds, Series 1992, dated April 1, 1992, in the aggregate principal amount of \$3,000,000, pursuant to Resolution No. 727; and

WHEREAS, ORS 468.439, et seq. authorize the City to borrow money from the Water Pollution Control Revolving Fund maintained by the Department of Environmental Quality of the State of Oregon (the "DEQ") to finance, in part, sewerage system improvements; and

WHEREAS, Resolution No. 727 authorizes the City to issue notes to the DEQ on a parity with its First Lien Sewer Revenue Bonds, Series 1992; and

WHEREAS, it is necessary to enter into a loan agreement with the Department of Environmental Quality to secure additional funding for the Project and it is appropriate to authorize the City Administrator to negotiate the terms of such an agreement within the constraints imposed by the Council;

NOW, THEREFORE, the City Council of the City of Prineville, Crook County, Oregon resolves as follows:

Section 1. Loan Agreement. The City Council of the City of Prineville authorizes the execution of a loan agreement with the DEQ (the "Agreement") enabling the City to borrow a principal amount of not to exceed \$1,800,000 pursuant to ORS 468.439 et seq. The proceeds of the borrowing shall be used to finance a portion of the Project. The notes or other obligations issued under the Agreement (the "Notes") shall be dated with the date specified by the City Administrator, shall bear principal and interest payable on July 1, 1993, and each July 1 thereafter through July 1, 2012, unless there is a prior call and redemption. The interest rate shall not exceed a net effective rate of 3% per annum. The Notes shall be in denominations as specified by the City Administrator in consultation with the DEQ.

Section 2. Parity. The Notes shall be payable on a parity with the City's First Lien Sewer Revenue Bonds, Series 1992, as provided in City Resolution No. 727 and the Agreement.

Section 3. Agreement. The City Administrator is hereby authorized to negotiate the terms of the Agreement. The terms of the Agreement shall be binding upon the City upon execution by the City Administrator. The City Administrator shall promptly report the terms of the Agreement to the City Council.

Section 4. Execution. The Notes shall be executed on behalf of the City with the manual signature of the City Administrator.

Section 5. Bank Qualified. The City Council of the City of Prineville 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 thereof, if any) does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations during calendar year 1992.

Section 6. Tax-Exempt Status. The City covenants not to take any action or omit any action if the taking or omission would cause interest paid under the Agreement to be includable in gross income for federal income tax purposes (except for environmental taxes on corporations). The City Administrator may enter into covenants on behalf of the City to protect the tax-exempt status of the Notes.

Section 7. 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 the Project 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 1992 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 Notes. If the City does issue more than \$5,000,000 in tax-exempt debt, it shall pay all required rebates.

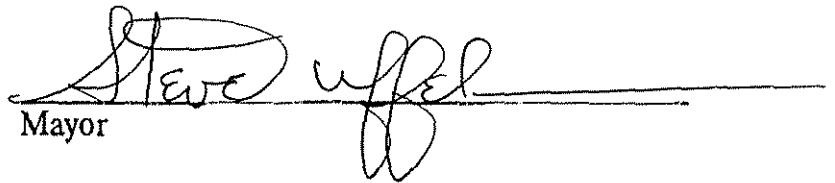
Section 8. Authority of City Administrator. The City Administrator is hereby authorized to enter into any agreements and to execute any documents or certificates which may be required to issue, sell and deliver the Notes in accordance with this Resolution.

Section 9. Date of Loan Agreement. The Loan Agreement may be dated as of the date of execution of this Resolution or any subsequent date, as specified by the City Administrator.

Section 10. Additional Actions. The City Administrator of the City and his designee are authorized to execute and deliver on behalf of the City any and all additional certificates, documents or other papers and other acts (including, without limitation, the filing of any documents) as they may deem necessary or appropriate in order to implement the intent and purpose of this Resolution including the Loan Agreement.

DATED this 12th day of May, 1992.

City of Prineville
Crook County, Oregon
By its City Council



Mayor

Attest:



City Recorder