

ORDINANCE NO. 721

AN ORDINANCE OF THE CITY OF STAYTON AUTHORIZING A LOAN FROM THE SPECIAL PUBLIC WORKS FUND BY ENTERING INTO A LOAN CONTRACT WITH THE OREGON ECONOMIC DEVELOPMENT DEPARTMENT.

WHEREAS, the Stayton City Council (Governing Body) of the City of Stayton (City) finds that:

1. The City is a municipality within the meaning of the Oregon Revised Statutes 285.700(1); and
2. Oregon Revised States 285.700 through 285.750 (the Act) authorizes any municipality to file an application with the Oregon Economic Development Department (the Department) to obtain financial assistance from the Special Public Works Fund; and
3. The City has filed an application with the Department to obtain financial assistance for an infrastructure project within the meaning of the Act; and
4. The Department has approved the City's application for financial assistance from the Special Public Works Fund pursuant to the Act; and
5. The City is required, as a prerequisite to the receipt of financial assistance from the Department, to enter into a Financial Assistance Award Contract and a Loan Agreement with the Department in substantially the form attached hereto as Exhibits A. and B.; and
6. The project described in Exhibit A. to the Loan Agreement (the Project) is an infrastructure project within the meaning of the Act which is needed by and is in the public interest of the City; and
7. Notice relating to the City's consideration of the adoption of this Ordinance was published at least once in a newspaper of general circulation within the City of Stayton. Such notice was published at least 14 days in advance of the adoption of this Ordinance.

NOW, THEREFORE, the Stayton City Council hereby ordains as follows:

SECTION 1: LOAN AUTHORIZATION

The Governing Body authorizes the City Administrator to execute the Financial Assistance Award Contract, Loan Agreement, a promissory note to the Loan Agreement (the Financing Documents), and such other documents as may be required to obtain financial assistance including a loan from the Department on the condition that the principal amount of the loan from the Department to the City is not in excess of \$450,000 and the interest rate on such loan is not in excess of 6.5 percent. The proceeds of the loan from the Department shall be applied solely to the Costs of the Project as such term is defined in the Loan Agreement.

SECTION 2: SECURITY

Amounts payable by the City shall be payable from the sources described in Section 3.09 of the Loan Agreement and the Oregon Revised Statutes 285.723(2), which include:

- a. Any sources of funds that are legally available to the City;
- b. The revenues, if any, of the Project, including special assessment revenues, if any; and
- c. The City's general fund including the general revenues of the city, other funds which may be available for such purpose, and a pledge of the City's taxing power within the restrictions of Article XI, Section 11 and 11b of the Constitution of the State of Oregon. The obligation of the City to make payments pursuant to the Loan Agreement is a full faith and credit obligation of the City that is subject to annual appropriation and is subject to the restrictions of Article XI Section 10 of the constitution of the State of Oregon.

**SECTION 3: ADDITIONAL DOCUMENTS**

The city administrator is hereby authorized to enter into any agreements and to execute any documents or certificates which may be required to obtain financial assistance from the Department for the Project pursuant to the Financial Assistance Award contract and the Loan Agreement.

**SECTION 4: TAX-EXEMPT STATUS**

The City covenants not to take any action or to omit to take any action if the taking or omission would cause interest paid by the City pursuant to the Loan Agreement not to qualify for the exclusion from gross income provided by Section 103(a) of the Internal Revenue Code of 1986, as amended. The city administrator of the City of Stayton may enter into covenants on behalf of the City to protect the tax-exempt status of the interest paid by the City pursuant to the Loan Agreement and may execute any Tax Certificate, Internal Revenue Services forms, or other documents as shall be required by the Department or their bond counsel to protect the tax-exempt status of such interest.

**SECTION 5: REIMBURSEMENT BONDS**

The City may reimburse expenditures for the Project which amounts received from the Department pursuant to the Financing Documents. Additionally, the City understands that the Department may fund or reimburse itself for the finding of amounts paid to the City pursuant to the Financing Documents with the proceeds of bonds issued by the State of Oregon pursuant to the Act. This Ordinance shall constitute official intent within the meaning of Section 1.150-2 of the Income Tax Regulations promulgated by the United States Department of the Treasury with respect to the funding or the reimbursement for the funding of the costs of the Project with the proceeds of the City's loan pursuant to the Financing Documents and with the proceeds of any bonds issued by the State of Oregon pursuant to the Act.

**SECTION 6: DECLARATION OF EMERGENCY**

The Stayton City Council hereby declares that an emergency exists in order that there be no delay in financing the Project as provided in this Ordinance. Therefore, this Ordinance shall be in full force and effect when executed by the mayor.

PASSED BY THE STAYTON CITY COUNCIL this 18<sup>th</sup> day of October 1993.

Date: 10-19-93 By: Willmer Van Vleet  
WILLMER VAN VLEET, Mayor

Date: 10-19-93 Attest: David W. Kinney  
DAVID W. KINNEY, City Administrator

APPROVED AS TO FORM

Date: OCT 06 1993 David A. Rhoten  
DAVID A. RHOTEN, City Attorney

STATE OF OREGON  
 SPECIAL PUBLIC WORKS FUND  
 FINANCIAL ASSISTANCE AWARD CONTRACT

This Contract is made and entered into by and between the State of Oregon, acting by and through its Economic Development Department ("State") and the City of Stayton ("Borrower"). The reference number of this Contract is B93015.

RECITALS

WHEREAS, the award of financial assistance which is the subject of this Contract is authorized by ORS 285.700 through 285.753; and

WHEREAS, the State has reviewed the Borrower's application and determined the Project, as hereinafter defined, is feasible and merits funding; and

WHEREAS, the State has found that economic development in the Project Area, as hereinafter defined, is prevented or substantially restricted by a lack of infrastructure improvements and that a high probability for industrial and/or commercial development exists in the Project Area; and

WHEREAS, the Borrower represents that \$698,354 is a reasonable estimate of the Costs of the Project, as hereinafter defined; and

WHEREAS, the Borrower has committed to provide \$52,554 in public and/or private resources as matching funds for the Project; and

WHEREAS, the State is willing to provide a Loan of \$450,000, a Deferred Loan of \$60,000 and a Grant of \$135,800 to the Borrower on the terms and conditions of this Contract.

THEREFORE, the parties agree as follows:

SECTION 1

CERTAIN DEFINITIONS

As used in this Contract, the following terms shall have the following meanings:

"Act" shall mean ORS 285.700 through 285.753, as the same may from time to time be amended and supplemented.

"Award" shall mean written notification from the State offering a Loan and/or Grant to the Borrower.

"Costs of the Project" shall mean all costs of acquiring and constructing the Project, including any financing costs properly allocable to the Project as set out in Exhibit B to the Loan Agreement, the Approved Project Budget.

"Default" shall mean an Event of Default or an event which with notice or lapse of time or both would become an Event of Default as set out in Section 7 hereof.

"Grant" shall have the meaning ascribed thereto in Section 2(B) hereof.

"Loan" shall have the meaning ascribed thereto in the Loan Agreement.

"Loan Agreement" shall mean the Loan Agreement, Exhibit 1 hereto, entered into between the State and the Borrower on the date hereof.

"Project" shall have the meaning ascribed thereto in the Loan Agreement and described in Exhibit A of the Loan Agreement.

"Project Area" shall mean all properties that will be directly benefitted and served by construction of the Project.

"Project Close Out Date" shall mean the date on which the State sends the Borrower written confirmation that the Project has been properly constructed and that the job creation required by Section 5(C) hereof has occurred.

"Project Completion Date" shall mean the date on which the Borrower has completed construction of the Project, as set out in Exhibit C(4) of the Loan Agreement.

"SPWF" shall mean the Special Public Works Fund created by ORS 285.733(1).

## SECTION 2

### FINANCIAL AWARD

#### A. Amount of Loan

Subject to the terms and conditions of this Contract and the Loan Agreement as amended, attached hereto as Exhibit 1 and incorporated herein by reference, the State agrees to make a loan to Borrower in the principal amount of \$450,000 (the "Loan") and \$60,000 (the "Deferred Loan").

#### B. Amount of Grant

Subject to the terms and conditions of this Contract, the State agrees to provide funds to the Borrower in the amount of \$135,800 (the "Grant").

#### C. Availability of Funds

The amounts set out in Sections 2(A) and (B) above are subject to the availability of moneys in the SPWF.

D. Change in the Act

The State shall not be obligated to provide the Loan and/or Grant if, on or prior to the time the Borrower satisfies all conditions for disbursement of the Loan and/or Grant, there has been a change in the Act so that the Project is no longer eligible for the financial assistance authorized by this Contract.

E. Drawdowns

The State shall disburse the Loan and/or Grant after the Borrower submits drawdown requests on a State-approved cash request form. The Borrower may not draw down any of the Grant until the entire Loan, and any interest earned thereon, has been expended. The Grant may only be drawn down to pay for the Costs of the Project that have been incurred.

SECTION 3

USE OF SPWF AWARD

A. Eligible Activities

The use of the Grant and/or Loan are expressly limited to the activities set out in the Project description, Exhibit A of the Loan Agreement. The use of these funds is also expressly subject to the Special Conditions set out in Exhibit 2 hereto, and by this reference incorporated herein.

B. Ineligible Activities

No part of the Loan or Grant shall be used for: administrative purposes, preliminary planning, legal, fiscal or economic investigations, reports or studies to determine the economic and engineering feasibility of the Project, the purchase of equipment not directly appurtenant to the Project, or construction or repair of facilities owned and operated by private parties, the purchase of off-site property for uses not directly related to the Project or costs incurred prior to the date of the Award, except as provided for in ORS 285.740(4).

C. Unexpended Funds

Any portion of the Grant remaining after this Contract is terminated or 90 days after the Project Completion Date shall be returned to the SPWF within 90 days of the Project Completion Date or termination.

D. SPWF Participation Rate

The Borrower shall finance no more than ninety-two and five-tenths percent (92.5%) of the Costs of the Project, as set out in Exhibit B to the Loan Agreement, from the Grant and Loan ("Participation Rate"). If the Costs of the Project are less than the amount set out in the Recitals, Borrower shall use less of the Grant and Loan so as to maintain the Participation Rate.

SECTION 4

REPRESENTATIONS OF THE STATE

The State certifies that at the time this Contract is signed, sufficient funds are available and authorized for this Contract.

SECTION 5

REPRESENTATIONS OF THE BORROWER

The Borrower represents and warrants to the State that:

A. Matching Funds

Matching funds of \$52,554 are available and committed to the Project. Before disbursement of the Loan or Grant the Borrower shall demonstrate, to the satisfaction of the State, that it has obtained all matching funds that are needed to pay for the Costs of the Project.

B. Binding Obligations

This Contract has been duly executed and delivered by the Borrower and will constitute the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms.

C. Job-Creation

The Project may create and/or retain 113 full-time jobs. The following firms have pledged to create/retain jobs in connection with the Project.

<u>Firm</u>	<u>No. of Jobs Created/Retained</u>	<u>No. of Family Wage Jobs</u>
NorPac Foods	15/98	5
The minimum number of jobs that must be created within two (2) years from the date of this Contract to meet program requirements are:	14	5

D. Drawings

Borrower shall obtain as-built drawings for all facilities constructed with the Loan and Grant. Borrower shall obtain certification of completion per as-built drawings from the project engineer.

## SECTION 6

### COVENANTS OF BORROWER

Until the Project is completed and the Loan repaid Borrower agrees that, unless the State shall otherwise consent in writing:

#### A. Compliance with Laws

The Borrower will comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority. In particular, but without limitation, the Borrower shall comply with:

1. State procurement regulations found in ORS Chapter 279.
2. State labor standards and wage rates found in ORS Chapter 279.
3. State municipal finance and audit regulations found in ORS Chapter 297.
4. State regulations regarding industrial accident protection found in ORS Chapter 656.
5. State conflict of interest requirements for public contracts.
6. State environmental laws enacted by agencies listed in Exhibit 3 hereto.
7. Oregon Administrative Rules, chapter 123, Division 42, as amended from time to time at the discretion of the State.
8. State municipal bonding requirements found in ORS Chapters 280, 284, 286, 287 and 288.

#### B. Operation and Maintenance of the Project

The Borrower will have a program, documented to the satisfaction of the State, for the on-going maintenance, operation and replacement, at its sole expense, of the public works service system of which the Project is a part by the Project Completion Date. This program should include a plan for generating revenues sufficient to assure the operation, maintenance and replacement of the facility during the service life of the Project.

#### C. Signs and Notifications

The Borrower shall display a sign, provided by the State, near the Project construction site stating that the Project is being funded by Lottery proceeds for the purpose of creating jobs. The Borrower shall include the following statement, prominently placed, on all plans, reports, bid documents and advertisements relating to the Project:

"This Project was funded in part with a financial award from the Special Public Works Fund, funded by the Oregon State Lottery and administered by the State of Oregon, Economic Development Department."



#### D. Economic Benefit Reports

The Borrower shall submit reports on the economic development benefits of the Project for the period from the date hereof until two (2) years after the Project Close Out Date at such intervals and in such form as the State shall specify. Reports shall document temporary construction jobs associated with the Project and any new direct permanent or retained jobs resulting from the Project. The reports shall document the general economic benefits of the Project to the community and provide other information necessary to evaluate the success of the Project. The preparation and filing of these reports shall be at the Borrower's expense.

#### E. Insurance

In the event the Project, or any portion thereof, is destroyed, any insurance proceeds shall be paid to the State and shall be applied to the principal of and interest on the Loan unless the State agrees in writing that the insurance proceeds shall be used to rebuild the Project.

#### F. Creation of Accounts

Borrower shall establish and maintain the following accounts:

1. Construction Account. The Loan proceeds, Grant and matching funds shall be deposited in this account. Earnings on this account shall be credited to this account. Moneys in this account shall be used to pay the Costs of the Project.
2. Loan Account. Fees collected from property owners in the Project Area and any other source of repayment set out in the Loan Agreement shall be promptly deposited in this account. Earnings on this account shall be credited to this account. Moneys in this account shall be used only to pay the principal of and interest on the Loan.

#### G. Sales, Leases and Encumbrances

Borrower may not sell, exchange, or otherwise dispose of any property constituting a part of the Project unless it is worn out, obsolete or, in the reasonable opinion of the Borrower, no longer useful in the operation of the Project. Proceeds of such sale, exchange or other disposition not used to replace the property in an amount equal to the Participation Rate shall be deposited in the Loan Account.

#### H. Disbursement of Grant Drawdowns

The amount of time between receipt of Grant funds by the Borrower and disbursement shall be kept as brief as is administratively possible.

#### I. Condemnation Proceeds

In the event the Project, or any portion thereof is condemned, any condemnation proceeds shall be deposited in the Loan Account and shall be used to repay the outstanding principal and interest on the Loan.

J. First Source Hiring Agreement

Prior to disbursement of the Loan or Grant, NorPac Foods shall enter into a First Source Hiring Agreement with the Salem Area Office of the Oregon State Employment Division, and a copy of the fully executed First Source Hiring Agreement must be forwarded to the State.

SECTION 7

DEFAULT

If any of the following Events of Default occurs and is continuing, namely:

- A. The Borrower fails to proceed expeditiously with, or to complete, the Project or any segment or phase of the Project in accordance with the plans and schedules approved by the State; or
- B. Any representation with respect to current or historical information made to the State herein or in any other pertinent documents and reports relied upon by the State in gauging the progress on the Project and performance of duties by the Borrower, are untrue in any respect; or
- C. The Borrower fails to perform or observe any of its covenants or agreements contained herein; or
- D. The Borrower has not entered into binding legal agreements with all private parties necessary to complete the Project within six (6) months of the date of this Contract; or
- E. The Borrower is in default under the Loan Agreement.

Thereupon, and in each such case, the State, by written notice of default to the Borrower, may terminate the whole or any part of this Contract. Notice of default shall specify, with reasonable particularity, the deficiencies in the Borrower's performance and shall provide the Borrower thirty (30) days, or such longer period as the State may authorize in its sole discretion, to correct such deficiencies.

SECTION 8

REMEDIES

In the event the Borrower is found in Default under this Contract, the State may pursue any or all of the remedies set forth in the Loan Agreement and any other remedies available at law or in equity. Such remedies may include, but are not limited to, termination of the Contract or Loan Agreement, stop payment on or return of the Loan and Grant, payment of interest earned on the Loan and Grant, declaration of ineligibility for the receipt of future SPWF awards and withholding of other State funds due the Borrower.

SECTION 9

MISCELLANEOUS

A. No Implied Waiver, Cumulative Remedies

No failure on the part of the State to exercise, and no delay in exercising, any right, power, or privilege under this Contract shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power, or privilege under this Contract preclude any other or further exercise thereof or the exercise of any other such right, power or privilege. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

B. Notices

All notices, requests, demands, and other communications to or upon the parties hereto shall be in writing and shall be deemed to have been duly given or made when deposited in the mails, postage prepaid, addressed to the party to which such notice, request, demand, or other communication is requested or permitted to be given or made at the addresses set forth below or at such other address of which such party shall have notified in writing the other party hereto.

If to the State:                      Economic Development Department  
775 Summer Street NE  
Salem, Oregon 97310  
Attn: Manager  
Community Development Programs

If to the Borrower:                  David W. Kinney, City Administrator  
City of Stayton  
362 N. Third Avenue  
Stayton, Oregon 97383

C. Amendments

The terms of this Contract, including timeframes for Project completion, will not be waived, altered, modified, supplemented, or amended in any manner except by written instrument signed by the parties.

D. Attorney Fees

The prevailing party in any dispute arising from this Contract shall be entitled to recover from the other its reasonable attorney's fees at trial and on appeal.

E. Indemnity

To the extent permitted by Article XI, Section 10 of the Oregon Constitution, Borrower's charter, relevant Oregon statutes and the Oregon Tort Claims Act, Borrower shall indemnify the State and its officers, employees and agents against any liability for damage to life or property arising from the Borrower's actions under this Contract or the Loan Agreement or the actions of Borrower's subcontractors, agents or employees.

F. Severability

If any term or condition of this Contract is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms and conditions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the Contract did not contain the particular term or condition held to be invalid.

G. Merger

This Contract constitutes the entire agreement between the parties. There are no understandings, agreements or representations, oral or written, not specified herein regarding this Contract. Borrower, by the signature below of its authorized representative, hereby acknowledges that it has read this Contract, understands it, and agrees to be bound by its terms and conditions.


IN WITNESS WHEREOF, the parties hereto have caused this Contract to be duly executed as of the dates set forth below their signatures.

STATE OF OREGON, acting by and through  
its Economic Development Department

CITY OF STAYTON

(Borrower)

By: \_\_\_\_\_  
Yvonne Addington, Manager  
Community Development  
Programs Section

By:   
(Signature)

Title: CITY ADMINISTRATOR

Date: \_\_\_\_\_

Date: 19 OCTOBER 1993

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Loan Agreement

BETWEEN

STATE OF OREGON

acting by and through its

ECONOMIC DEVELOPMENT DEPARTMENT

AND

CITY OF STAYTON

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THIS LOAN AGREEMENT, made and entered into as of the Loan Closing Date (as such term is defined herein), by and between the State of Oregon acting by and through its Economic Development Department (the "State"), and the Borrower described in Exhibit C hereto:

WITNESSETH THAT:

WHEREAS, the State, in accordance with the Act, the Contract and the Bond Indenture (as such terms are hereinafter defined), will provide funds in the Special Public Works Fund created by ORS 285.733(1) (the "SPWF") or will issue its bonds for the purpose of making loans to municipalities, including the Borrower, to finance a portion of the cost of infrastructure projects; and

WHEREAS the Borrower has made timely application to the State for a loan to finance all or a portion of the cost of an infrastructure project and the State has approved the Borrower's application for a loan in an amount not to exceed the amount of the loan commitment set forth in Exhibit C hereto to finance a portion of the cost of such project; and

WHEREAS, the Borrower has agreed under this Loan Agreement to make payments sufficient to pay when due the principal of, premium, if any, and interest on the loan from the State pursuant to the repayment schedule set forth on Exhibit D hereto; and

WHEREAS, the Borrower's obligations under this Loan Agreement shall be assigned to First Interstate Bank of Oregon, N.A., as Trustee under the Bond Indenture, to provide for the payment of and security for bonds issued by the State of Oregon;

NOW THEREFORE, for and in consideration of the award of the loan by the State, the Borrower agrees to perform its obligation under this Loan Agreement in accordance with the conditions, covenants and procedures set forth herein and attached hereto as a part hereof, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. The following terms as used in this Loan Agreement shall, unless the context clearly requires otherwise, have the meanings assigned to them below.

"Act" means Sections 285.700 through 285.753 of the Oregon Revised Statutes, as the same may from time to time be amended and supplemented.

"Authorized Officer" means, in the case of the Borrower, the person whose name is set forth in Exhibit C hereto or such other person or persons authorized pursuant to a resolution or ordinance of the governing body of the Borrower to act as an Authorized Officer of the Borrower to perform any act or execute any document relating to the Loan, or this Loan Agreement whose name is furnished in writing to the State.



"Bond Counsel" means a law firm having knowledge and expertise in the field of municipal law and whose opinions are generally accepted by purchasers of municipal bonds.

"Bond Indenture" means the Indenture of Trust pursuant to which the State bonds are issued, between the Issuer, the State and the Trustee and all amendments and supplements thereto adopted in accordance with the provisions thereof.

"Borrower" means the Municipality that is a party to this Loan Agreement and is described on Exhibit C hereto, and its successors and assigns.

"Business Day" means any day other than (i) a Saturday, Sunday or legal holiday or a day on which banking institutions, in the city in which the principal office of the Trustee is located, are closed, or (ii) a day on which the New York Stock Exchange is closed.

"Code" means the "Internal Revenue Code of 1986," as the same may be amended or supplemented from time to time, including any regulations promulgated thereunder and any administrative or judicial interpretations thereof.

"Completion Date" means the earlier of (a) the date on which all of the proceeds of the Loan, including any investment earnings derived from the investment of such proceeds have been spent, or (b) the second anniversary of the Loan Closing Date.

"Contract" means a contract, between the State and a Municipality including the Exhibits attached thereto, as it may be supplemented, modified or amended from time to time in accordance with the terms thereof and of the Bond Indenture.

"Costs of the Project" means those costs that are (a) reasonable, necessary and directly related to an "infrastructure project" within the meaning of ORS 285.700(2), including any financing costs properly allocable to the Project (b) allowable project costs pursuant to ORS 285.705 including engineering and architectural reports, studies, surveys, designs, plans, working drawings and specifications necessary in the construction of the infrastructure project and (c) permitted by generally accepted accounting principles to be costs of such Project. The term "Costs of the Project" does not include costs (i) for preliminary planning or legal, fiscal and economic investigations, reports and studies to determine the economic and engineering feasibility of the Project, (ii) relating to any infrastructure projects that primarily focus on relocating business or economic activity from one part of the State of Oregon to another part of the State of Oregon or (iii) in excess of 100 percent of the total cost of any infrastructure project.

"Counsel" means an attorney at law or firm of attorneys at law (who may be, without limitation, of counsel to, or an employee of, the State, the Issuer, the Trustee or the Borrower) duly admitted to practice law before the highest court of any state.

"Event of Default" means any occurrence or event specified in Section 5.01 hereof.

"Issuer" means the State of Oregon acting by and through the State Treasurer of the State of Oregon.

"Loan" means the loan made by the State to the Borrower to finance or refinance a portion of the Costs of the Project pursuant to this Loan Agreement. The Loan may be funded by the State from the proceeds of the State Bonds or from other amounts held in the SPWF. For all purposes of this Loan Agreement, the amount of the Loan at any time shall be the principal amount of the loan set forth in Exhibit C attached hereto and made part of this Loan Agreement, less any amount of such principal amount as has been repaid by the Borrower under this Loan Agreement.

"Loan Agreement" means this Loan Agreement, including the Exhibits attached hereto, as it may be supplemented, modified or amended from time to time in accordance with the terms hereof.

"Loan Closing Date" means the Loan Closing Date described on Exhibit C attached hereto.

"Loan Prepayment" means amounts paid by the Borrower that are in excess of the amounts required to be paid as a Loan Repayment.

"Loan Repayment" means the scheduled payments of principal and interest required to be made by the Borrower pursuant to the provisions of Exhibit D attached hereto and made a part hereof.

"Loan Term" means the term of this Loan Agreement provided in Section 3.01 of this Loan Agreement and Exhibit D attached hereto and made a part hereof.

"Municipality" means any entity described in ORS 285.700(1) that has entered into a Contract with the State pursuant to which such entity will borrow money from the Special Public Works Fund.

"Note" means the promissory note of the Borrower attached hereto as Exhibit F.

"Project" means the "infrastructure project" (within the meaning of ORS 285.700(2)) of the Borrower described in Exhibit A attached hereto and made a part hereof, all or a portion of the Costs of the Project of which are financed or refinanced by the State through the making of the Loan under this Loan Agreement.

"Special Public Works Fund" or "SPWF" means the fund created by ORS 285.733.

"State" means the State of Oregon acting by and through its Economic Development Department.

"State Bonds" means the series of bonds, if any, authorized by the Bond Indenture, together with any refunding bonds authenticated and delivered pursuant to the Bond Indenture, in each case to finance or refinance the Project through the initial funding or refinancing of all or a portion of the Loan.

"System" means the utility system or systems, if any, of the Borrower which includes the Project or components of the Project, as such system or systems may be modified or expanded from time to time.

"Trustee" means the First Interstate Bank of Oregon, N.A., and its successor or successors and any other corporation which may at any time be substituted in its place as Trustee pursuant to the Bond Indenture.

"Underwriter" means the broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the State Bonds.

Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, corporations, agencies and districts. Words importing one gender shall include the other gender.

**DURING ANY PERIOD OF TIME IN WHICH THIS LOAN AGREEMENT HAS NOT BEEN ASSIGNED TO THE TRUSTEE, ALL REFERENCES IN THIS LOAN AGREEMENT TO "TRUSTEE," "BOND INDENTURE," "STATE BONDS," "UNDERWRITER" AND "ISSUER" AND THE PROVISIONS OF THIS LOAN AGREEMENT PERTAINING THERETO SHALL BE VOID AND OF NO FORCE OR EFFECT EXCEPT FOR PURPOSES OF DETERMINING THE APPLICABLE REQUIREMENTS OF THE BOND INDENTURE OR DETERMINING ANY REQUIREMENTS OF THIS LOAN AGREEMENT THAT REFER TO PROVISIONS OF THE BOND INDENTURE.**

## ARTICLE II

### REPRESENTATIONS AND COVENANTS OF BORROWER

SECTION 2.01. Representations of Borrower. The Borrower represents for the benefit of the State, and the holders of the State Bonds as follows:

(a) Organization and Authority.

(i) The Borrower is a Municipality as defined in the Act.

(ii) The Borrower has full legal right and authority and all necessary licenses and permits required as of the date hereof to own, operate and maintain the Project and its System, other than licenses and permits relating to the Project which the Borrower expects to receive in the ordinary course of business, to carry on its activities relating thereto, to execute and deliver this Loan Agreement, to undertake and complete the Project, and to carry out and consummate all transactions contemplated by this Loan Agreement.

The Project is a project which the Borrower may undertake pursuant to Oregon law and for which the Borrower is authorized by law to borrow money.

(iii) The proceedings of the Borrower's governing members and voters, if necessary, approving this Loan Agreement and authorizing their execution, issuance and delivery on behalf of the Borrower, and authorizing the Borrower to undertake and complete the Project have been duly and lawfully adopted in accordance with the laws of Oregon and such proceedings were duly approved and published, if necessary, in accordance with applicable Oregon law, at a meeting or meetings which were duly called pursuant to necessary public notice and held in accordance with applicable Oregon law, and at which quorums were present and acting throughout.

(iv) This Loan Agreement has been duly authorized, executed and delivered by an Authorized Officer of the Borrower; and, assuming that the State has all the requisite power and authority to authorize, execute and deliver, and has duly authorized, executed and delivered, this Loan Agreement; this Loan Agreement constitutes the legal, valid and binding obligation of the Borrower in accordance with its terms, and the information contained in Exhibits A and B attached hereto and made a part hereof and in Sections 2, 3, 4 and 9 of Exhibit C attached hereto and made a part hereof is true and accurate in all respects.

(v) The Contract and the Loan Agreement have been authorized by an ordinance of the Borrower which was adopted with not less than 14 days prior notice. Such notice was published at least once in a newspaper of general circulation within the Borrower's jurisdiction.

(b) Full Disclosure.

There is no fact that the Borrower has not disclosed to the State in writing on the Borrower's application for the Loan or otherwise that materially adversely affects the properties, activities, prospects or condition (financial or otherwise) of the Borrower, the Project or the Borrower's System, or the ability of the Borrower to make all Loan Repayments and otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement. Neither the Borrower's application for the Loan or the Borrower's representations in this Loan Agreement contain any untrue statement of a material fact or omits any statement or information which is necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(c) Pending Litigation.

There are no proceedings pending, or, to the knowledge of the Borrower threatened, against or affecting the Borrower, in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially adversely affect the properties, activities, prospects or condition (financial or otherwise) of the Borrower or its System, or the ability of the Borrower to make all Loan Repayments and otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement, that have not been disclosed in writing to the State in the Borrower's application for the Loan or otherwise to the State.

(d) Compliance with Existing Laws and Agreements.

The authorization, execution and delivery of this Loan Agreement by the Borrower, the observation and performance by the Borrower of its duties, covenants, obligations and agreements thereunder and the consummation of the transactions provided for in this Loan Agreement, the compliance by the Borrower with the provisions of this Loan Agreement and the undertaking and completion of the Project will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Borrower pursuant to any existing ordinance or resolution, trust agreement, indenture, mortgage, deed of trust, loan agreement or other instrument (other than the lien and charge of this Loan Agreement and any ordinance or resolution, or indenture, which authorized outstanding debt obligations of the Borrower which are at parity with, or superior to, the Loan as to lien on, and source and security for, payment thereon from the source of payment that is pledged to the payment of the Loan) to which the Borrower is a party or by which the Borrower, its System or any of its property or assets may be bound, nor will such action result in any violation of the provisions of the charter or other document pursuant to which the Borrower was established or any laws, ordinances, resolutions, governmental rules, regulations or court orders to which the Borrower, its System or its properties or operations is subject.

(e) No Defaults.

No event has occurred and no condition exists that, upon authorization, execution and delivery of this Loan Agreement or receipt of the amount of the Loan, would constitute an Event of Default hereunder. The Borrower is not in violation of, and has not received notice of any claimed violation of, any term of any agreement or other instrument to which it is a party or by which it, its System or its property may be bound, which violation would materially adversely affect the properties, activities, prospects or condition (financial or otherwise) of the Borrower or its System or the ability of the Borrower to make all Loan Repayments or otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement.

(f) Governmental Consent.

The Borrower has obtained or will obtain all permits and approvals required to date by any governmental body or officer for the making, observance and performance by the Borrower of its duties, covenants, obligations and agreements under this Loan Agreement or for the undertaking or completion of the Project and the financing or refinancing thereof; and the Borrower has complied or will comply with all applicable provisions of law requiring any notification, declaration, filing or registration with any governmental body or officer in connection with the making, observance and performance by the Borrower of its duties, covenants, obligations and agreements under this Loan Agreement or with the undertaking or completion of the Project and the financing or refinancing thereof. No consent, approval or authorization of, or filing, registration or qualification with, any governmental body or officer that has not been obtained is required on the part of the Borrower as a condition to the authorization, execution and delivery of this Loan Agreement.

(g) Compliance with Law.

The Borrower

(i) is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject, the failure to comply with which would materially adversely affect the ability of the Borrower to conduct its activities or undertake or complete the Project or the condition (financial or otherwise) of the Borrower or its System; and

(ii) has obtained or will obtain all licenses, permits, franchises or other governmental authorizations presently necessary for the ownership of its property or for the conduct of its activities which, if not obtained, would materially adversely affect the ability of the Borrower to conduct its activities or undertake or complete the Project or the condition (financial or otherwise) of the Borrower or its System.

(h) Use of Proceeds.

The Borrower will apply the proceeds of the Loan (a) to finance all or a portion of the Costs of the Project; and (b), where applicable, to reimburse the Borrower for a portion of the Costs of the Project, which portion was paid or incurred in anticipation of reimbursement by the State. None of the proceeds of the Loan shall be used for administrative purposes by the Borrower.

The Project.

(i) The Project is feasible and there will be adequate funds available to repay the Loan.

(ii) The Project is situated in an area in which economic development is prevented or substantially restricted by a lack of adequate sewage treatment works, solid waste disposal sites, water supply works, roads, public transportation or other facilities that comprise the physical foundation for industrial and commercial activity.

(iii) The Project is situated in a city or county with a comprehensive land use plan that allows industrial and commercial development of a type and scale that is sufficient to repay the costs of the Project.

(iv) A high probability exists for industrial or commercial development, or both, of the properties served by the Project.

(v) The Borrower has provided as part of the security for repayment of the Loan, provisions for payments from any owners of property specially benefitted by the Project which are sufficient when considered with other security to assure repayment of the Loan and the portion of any State Bonds that fund or refinance the Loan.

(vi) The Borrower has been provided with a copy of the rules adopted by the State under ORS 285.707 and the Project is in compliance with such rules.

(vii) The principal amount of the Loan shown on Exhibit C(5) attached hereto is not in excess of the reasonable Costs of the Project.

SECTION 2.02. Particular Covenants of the Borrower.

(a) Source of Repayment Pledge.

The Borrower irrevocably pledges the sources of repayment described in Section 3.09 of this Loan Agreement for the punctual payment of the principal of and the interest on the Loan, and all other amounts due under this Loan Agreement according to their respective terms.

(b) Performance Under Loan Agreement.

The Borrower covenants and agrees (i) to maintain the Project and its System in good repair and operating condition; (ii) to cooperate with the State in the observance and performance of the respective duties, covenants, obligations and agreements of the Borrower and the State under this Loan Agreement; and (iii) to comply with the covenants described in the Exhibits to this Loan Agreement.

(c) Completion of Project and Provision of Moneys Therefor.

The Borrower covenants and agrees to provide the State with copies of all plans and specifications relating to the Project for review and approval by the State. The Borrower further covenants and agrees (i) to exercise its best efforts in accordance with prudent practice to complete the Project and to so accomplish such completion on or before the estimated Project completion date set forth in Exhibit C(4) hereto and made a part hereof; (ii) to proceed expeditiously with, and complete, the Project in accordance with plans reviewed and approved by the State and (iii) to provide from its own fiscal resources all moneys, in excess of the total amount of proceeds it receives pursuant to the Contract and the Loan, required to complete the Project. For purposes of (ii) of the preceding sentence, if the State does not review the plans and specifications or suggests modifications thereto within 30 days of the receipt of the plans and specifications, they shall be deemed approved.

(d) Disposition of Project or System.

The Borrower shall not sell, lease, abandon or otherwise dispose of all or substantially all or any substantial portion of the Project or its System or any other system which provides revenues to provide for the payment of this Loan Agreement except on ninety (90) days' prior written notice to the State and, in any event, shall not so sell, lease, abandon or otherwise dispose of the same unless the State consents to such sale, lease, abandonment or other disposition and either:

(i) The Borrower assigns this Loan Agreement and the conditions of Section 4.02 hereof are satisfied,

(ii) The Borrower demonstrates to the satisfaction of the Trustee that such sale, lease, abandonment or other disposition will not adversely affect the rating of the State Bonds,

(iii) A rating of the Loan is obtained which (a) addresses such sale, lease, abandonment or other disposition, (b) is no lower than the rating of the State Bonds and (c) satisfies the requirements of Section 2.2(a)(x) of the Bond Indenture, or

(iv) The State certifies to the Borrower that this Loan Agreement has not been assigned to the Trustee and provides a copy of such certification to the Trustee.



The State shall not consent to any such sale, lease, abandonment or other disposition unless the State shall have received an opinion of the State's counsel to the effect that such sale, lease, abandonment or other disposition will not adversely affect the exclusion of interest on the Loan and on the State Bonds from gross income for purposes of federal income taxation under Section 103(a) of the Code.

(e) Exclusion of Interest from Federal Gross Income and Compliance with Code.

(i) The Borrower covenants and agrees that it shall not take any action or omit to take any action which action or omission would result in the loss of the exclusion of the interest on the State Bonds (assuming solely for this purpose that the proceeds of the State Bonds loaned to the Borrower represent all of the proceeds of the State Bonds) from gross income for purposes of federal income taxation as that status is governed by Section 103(a) of the Code.

(ii) The Borrower shall not take any action or omit to take any action, which action or omission would cause the Loan or the State Bonds (assuming solely for this purpose that the proceeds of the State Bonds loaned to the Borrower represent all of the proceeds of the State Bonds) to be "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, unless the Borrower receives the prior written approval of the State, the Borrower shall neither (A) permit in excess of 10 percent of either (i) the proceeds (such term as used in this Loan Agreement shall have the same meaning as when used in Section 148 of the Code) of the Loan or (ii) the Project financed (or refinanced) with the proceeds of the Loan, to be used (directly or indirectly) in any manner that would constitute "private business use" within the meaning of Section 141(b)(6) of the Code, nor (B) use (directly or indirectly) any of the proceeds of the Loan, to make or finance loans to persons other than governmental units (as such term is used in Section 141(c) of the Code); provided further, that at least one half of the private business use permitted by clause (A) shall be neither (i) disproportionate related business use, nor (ii) private business use not related to the government use of such proceeds of the Loan.

(iii) The Borrower shall not directly or indirectly use or permit the use of any proceeds of the Loan (or amounts replaced with such proceeds) or any other funds or take any action or omit to take any action, which use or action or omission would cause the Loan or the State Bonds (assuming solely for this purpose that the proceeds of the State Bonds in the hands of the Borrower represent all of the proceeds of the State Bonds) to be "arbitrage bonds" within the meaning of Section 148(a) of the Code.

(iv) The Borrower shall not use (directly or indirectly) the proceeds of the Loan or the State Bonds in any manner that would constitute an "advance refunding" within the meaning of Section 149(d)(5) of the Code.

(v) The Borrower will not cause the Loan to be treated as a "federally guaranteed" obligation for purposes of Section 149(b) of the Code, as may be modified in any applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service with respect to "federally guaranteed" obligations described in Section 149(b) of the Code. For purposes of this paragraph, the Loan shall be treated as "federally guaranteed" if: (a) all or any portion of the principal or interest is or will be guaranteed directly or indirectly by the United States of America or any agency or instrumentality thereof, or (b) five percent or more of the proceeds of the Loan will be (1) used in making loans the payment of principal or interest with respect to which is guaranteed in whole or in part by the United States of America or any agency or instrumentality thereof, or (2) invested directly or indirectly in federally insured deposits or accounts, and (c) none of the exceptions described in Section 149(b)(3) of the Code apply.

(vi) The Borrower agrees to assist the State, the Issuer and the Trustee to ensure that all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code are rebated to the United States of America. The Borrower agrees to provide all amounts necessary to satisfy the requirements of Section 148(f) applicable to the Loan and, to pay to the State, the Issuer, or the Trustee such amounts as may be directed by the State, the Issuer, or the Trustee and at such times as the Borrower may be so directed to satisfy the requirements of Section 148(f) of the Code applicable to the portion of the proceeds of any State Bonds applied to fund or refinance the Loan. The Borrower further agrees to reimburse the State, the Issuer or the Trustee for the portion of any expenses incurred by them that relate to the Loan and are necessary to satisfy the requirements of Section 148(f) of the Code.

(vii) In furtherance of the foregoing, the Borrower covenants that it will comply with the provisions of any tax certificate as to compliance with the provisions of Sections 103 and 141 through 150 of the Code entered into by the Borrower, the State or the Issuer with respect to the Loan or the State Bonds and will furnish to the State, the Issuer, or the Trustee in writing, upon reasonable request, information regarding investments and use of proceeds of the Loan or the State Bonds and of any facilities financed or refinanced therewith.

(viii) Notwithstanding anything to the contrary, so long as is necessary to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Loan or the State Bonds, the covenants contained in this subsection (e) shall survive the payment of the Loan and the State Bonds, and the interest thereon, including any payment pursuant to Section 3.07 of this Loan Agreement.

(ix) Neither the Borrower nor any of its political subdivisions shall, pursuant to any arrangement, formal or informal, purchase State Bonds in an amount related to the amount of the Loan.

(f) Operation and Maintenance of System.

The Borrower covenants and agrees that it shall, in accordance with prudent utility practice, (i) at all times operate the properties of its System and any business in connection therewith in an efficient manner, (ii) maintain its System in good repair, working order and operating condition, (iii) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to its System so that at all times the business carried on in connection therewith shall be properly and advantageously conducted and (iv) not provide free service to any customer served by the System except in an emergency; provided, however, this covenant shall not be construed as requiring the Borrower to expend any funds which are derived from sources other than the operation of its System or other receipts of such System which are not pledged under subsection (a) of this Section 2.02, and provided further that nothing herein shall be construed as preventing the Borrower from doing so.

(g) Records; Accounts.

The Borrower shall keep accurate records and accounts for its System (the "System Records"), separate and distinct from its other records and accounts (the "General Records"). Such System Records shall be maintained in accordance with generally accepted government accounting standards and shall be audited annually by an independent accountant, which audit may be part of the annual audit of the General Records of the Borrower. Such System Records and General Records shall be made available for inspection by the State or the Trustee at any reasonable time, and a copy of such annual audit(s) therefor, including all written comments and recommendations of such accountant, shall be furnished to the State within 210 days of the close of the fiscal year being so audited.

(h) Inspections; Information.

The Borrower shall permit the State, and the Trustee and any party designated by any of such parties to examine, visit and inspect, at any and all reasonable time, the property, if any, constituting the Project, and to inspect and make copies of any accounts, books and records, including, without limitation, its records regarding receipts, disbursements, contracts, investments and any other matters relating thereto and to its financial standing, and shall supply such reports and

information as the State and the Trustee may reasonably require in connection therewith. In addition, the Borrower shall provide the State with copies of any official statements or other forms of offering prospectus relating to any other bonds, notes or other indebtedness of the Borrower that are issued after the Loan Closing Date and are secured from the same source or sources of repayment as the Loan.

(i) Insurance.

The Borrower shall maintain or cause to be maintained insurance policies with responsible insurers or self insurance programs providing against risk of direct physical loss, damage or destruction of its System, at least to the extent that similar insurance is usually carried by governmental units constructing, operating and maintaining system facilities of the nature of the Borrower's System, including liability coverage, all to the extent available at reasonable cost. Nothing herein shall be deemed to preclude the Borrower from exerting against any party, other than the State, a defense which may be available to the Borrower, including, without limitation a defense of immunity.

(j) Costs of the Project.

The Borrower certifies that (1) the Costs of the Project, as listed in Exhibits B and C(3) hereto and made a part hereof, is a reasonable and accurate estimation and based upon an engineer's feasibility report and engineer's estimate stamped by a registered professional engineer and (2) the Costs of the Project are not less than the sum of the proceeds of the Loan and the investment earnings projected to be derived from the investment of such proceeds.

(k) Notice of Material Adverse Change.

The Borrower shall promptly notify the State and the Trustee of any material adverse change in the activities, prospects or condition (financial or otherwise) of the Borrower or its System, or in the ability of the Borrower to make all Loan Repayments and otherwise observe and perform its duties, covenants, obligations and agreements under this Loan Agreement.

(l) Contract Covenants.

The Borrower covenants and agrees to comply with the terms of the Contract including the covenants of the Borrower in Section 6 of the Contract.

(m) Continuing Representations.

The representations of the Borrower contained herein shall be true at the time of the execution of this Loan Agreement and at all times during the term of this Loan Agreement.

ARTICLE III

LOAN TO BORROWER; AMOUNTS PAYABLE;  
GENERAL AGREEMENTS

SECTION 3.01. The Loan; Loan Term.

(a) The State hereby agrees to loan and disburse to the Borrower in accordance with Section 3.02 hereof, and the Borrower agrees to borrow and accept from the State, the Loan in the principal amount equal to the loan commitment set forth in Exhibit C(5) attached hereto and made a part hereof; provided, however, that (i) the State shall be under no obligation to make the Loan if the Borrower does not deliver the documents required by Section 6.3 of the Bond Indenture (regardless of whether the Loan Agreement is assigned to the Trustee) to the State on or prior to the Loan Closing Date or an Event of Default has occurred and is continuing under the Bond Indenture or this Loan Agreement, and (ii) the obligation of the State to fund the Loan is contingent upon the availability of moneys in the Special Public Works Fund for use in the Project. The Borrower shall use the proceeds of the Loan strictly in accordance with Section 2.01(h) hereof.

(b) The term of the Loan is set forth on Exhibit D attached hereto. The Borrower hereby represents that the term of the Loan is not in excess of the usable life of the Project.

SECTION 3.02. Disbursement of Loan Proceeds. The State shall disburse amounts which in the aggregate are not in excess of the sum of (a) principal amount of the Loan shown on Exhibit C(5) to this Loan Agreement together with (b) all earnings derived by the State from the investment of the proceeds of the Loan held in the Special Public Works Fund, to the Borrower upon receipt by the State of a requisition executed by the Borrower in substantially the form attached hereto as Exhibit E.

SECTION 3.03. Loan Payments and Other Amounts Payable. The Borrower hereby covenants and agrees to repay the Loan in accordance with the terms of the Note. In the event that the Borrower receives written notification from the State, the Issuer or the Trustee that payments made pursuant to this Loan Agreement have been assigned by the State to the Trustee under the Bond Indenture, all payments hereunder or pursuant to the Note shall be made directly to the Trustee for the account of the State pursuant to such assignment. The Borrower acknowledges that payment of the State Bonds by the Issuer or the State does not constitute payment of the amounts due under this Loan Agreement.

SECTION 3.04. Unconditional Obligations. The obligation of the Borrower to make the Loan Repayments and all other payments required hereunder and the obligation to perform and observe the other duties, covenants, obligations and agreements on its part contained herein is payable solely from the sources of repayment described in Section 3.09 hereto and shall be absolute and unconditional and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any State Bonds remain outstanding or any payments under this Loan Agreement remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including (without limitation) any acts or circumstances that may constitute failure of considerations, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Project or the System, commercial frustration of the purpose, any change in the laws of the United States of America or of the State of Oregon or any political subdivision of either or in the rules or regulations of any governmental authority, any failure of the Issuer, the State or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with the Project, this Loan Agreement or the Bond Indenture or any rights of set off, recoupment, abatement or counterclaim that the Borrower might otherwise have against the Issuer, the State, the Trustee or any other party or parties; provided, however, that payments hereunder shall not constitute a waiver of any such rights. The Borrower shall not be obligated to make any payments required to be made by any other Municipality under any separate loan agreement or the Bond Indenture.

SECTION 3.05. Loan Agreement to Survive Bond Indenture and State Bonds. The Borrower acknowledges that its duties, covenants, obligations and agreements hereunder shall survive the discharge of the Bond Indenture applicable to the State Bonds and payment of the principal of, redemption premium, if any, and interest on the State Bonds.

SECTION 3.06. Disclaimer of Warranties and Indemnification. The Borrower acknowledges and agrees that (i) neither the Issuer, the State nor the Trustee makes any warranty or representation, either express or implied as to the value, design, condition, merchantability or fitness for particular purpose or fitness for any use of the System or the Project or any portions thereof or any other warranty or representation with respect thereto; (ii) in no event shall the Issuer, the State or the Trustee or their respective agents be liable or responsible for any direct, incidental, indirect, special or consequential damages in connection with or arising out of this Loan Agreement or the Project or the existence, furnishing, functioning or use of the System or the Project or any item or products or services provided for this Loan Agreement; and (iii) to the extent authorized by law, the Borrower shall indemnify, save and hold harmless the Issuer and the State against any and all claims, damages, liability and court awards including costs, expenses, and attorney fees incurred as a result of any act or omission by the Borrower, or its

employees, agents or subcontractors pursuant to the terms of this Loan Agreement, provided, however, that the provisions of this clause (iii) are not intended to and shall not be construed as a waiver of any defense or limitation on damages provided for under and pursuant to Chapter 30 of the Oregon Revised Statutes or under the laws of the United States or other laws of the State of Oregon.

SECTION 3.07. Loan Prepayments. The Borrower may make Loan Prepayments upon prior written notice not less than ninety (90) days to the State and the Trustee and upon payment by the Borrower to the Trustee of the principal amount of the Loan Prepayments to be prepaid, plus the interest to accrue on such amount to the date of payment; provided, however, that

(a) no Loan Prepayment shall be made prior to the Optional Loan Prepayment date shown on Exhibit C(7) to this Loan Agreement or, if later, the date on which the State Bonds are first subject to optional redemption,

(b) each Loan Prepayment shall include the prepayment premium, if any, applicable to such Loan Prepayment as determined in accordance with Exhibit C(8) to this Loan Agreement or such greater amount required to prepay the State Bonds, and

(c) any Loan Prepayment may only be made upon the prior written approval of the State.

Loan Prepayments shall be applied first to accrued interest on the portion of the Loan to be prepaid and then to principal payments (including premium, if any) on the Loan in inverse order of their maturity.

SECTION 3.08. Unexpended Loan Proceeds. Any proceeds of the Loan held by the State on the second anniversary of the Loan Closing Date shall be applied, on the next January 1 that is not less than forty five (45) days after such second anniversary date, to prepay principal on the Loan in an amount equal to the amount of such unexpended proceeds less any amounts necessary to pay any arbitrage rebate due with respect to the Loan pursuant to Section 148(f) of the Code. Principal payments due on the Loan, as shown on Exhibit D attached hereto, shall be reduced in inverse order of their maturity to the extent of any principal prepaid on the Loan pursuant to this Section 3.08. To the extent that all principal due on the Loan is paid as a result of a prepayment of the Loan pursuant to this Section 3.08, any remaining proceeds of the Loan held by the State in the account established for the Borrower in the Special Public Works Fund shall be applied to pay any interest due on the Loan on the Loan prepayment date described in this Section 3.08. If any amounts remain in the account established for the Borrower in the Special Public Works Fund after the payment of amounts described in the preceding sentence, such amounts shall be the property of the State and the Borrower shall have no claim to such amounts.

SECTION 3.09. Source of Payment of Borrower's Obligations.

(a) The State and the Borrower agree that the amounts payable by the Borrower under this Loan Agreement, including, without limitation, the amounts payable by the Borrower pursuant to Section 3.03, Section 3.06, Section 3.07 and Section 5.04 of this Loan Agreement are payable from the source of repayment described in paragraphs (b) and (c) of this Section 3.09. Nothing herein shall be deemed to prevent the Borrower from paying the amounts payable under this Loan Agreement from any other legally available source.

(b) The amounts payable by the Borrower under this Loan Agreement are payable from:

(i) any sources of funds that are legally available to the Borrower,

(ii) the revenues, if any, of the Project, including special assessment revenues, and

(iii) the Borrower's general fund including the general revenues of the Borrower, other funds which may be available for such purpose and a pledge of the Borrower's taxing power within the restrictions of Article XI, Section 11 and 11b of the Constitution of the State of Oregon. If the Borrower is not a county, the obligation of the Borrower to make payments hereunder is a full faith and credit obligation of the Borrower and is not subject to annual appropriation. If the Borrower is a county, the Borrower acknowledges its current intention to make all payments due hereunder on the dates on which such payments are due and, to the extent that funds are appropriated to make payments hereunder, the full faith and credit of the Borrower are pledged to such payments.

(c) The Borrower expressly acknowledges that if the Borrower defaults on payments due under this Loan Agreement, the State of Oregon, pursuant to ORS 285.727, may withhold any amounts otherwise due to the Borrower to apply to payments due under this Loan Agreement. The State hereby covenants to enforce any remedy available to the State pursuant to ORS 285.727.

SECTION 3.10. Delivery of Documents.

Concurrently with the execution and delivery of this Loan Agreement, the Borrower will cause to be delivered to the State each of the following items:

a. an opinion of the Borrower's counsel substantially in the form set forth in Exhibit D to the Bond Indenture (such opinion or portions of such opinion may be given by one or more counsel); provided, however, that the State and the State's Counsel may permit variances in such opinion from the form or substance of such Exhibit D to the Bond Indenture if such variances are not to the material detriment of the interests of the holders of the State Bonds;



- b. an opinion of the State's Counsel substantially in the form set forth in Exhibit E to the Bond Indenture;
- c. executed counterparts of this Loan Agreement and the Contract;
- d. copies of the ordinance of the governing body of the Borrower authorizing the execution and delivery of this Loan Agreement and the Contract, certified by an Authorized Officer of the Borrower; and
- e. such other certificates, documents, opinions and information as the State, the Trustee, the Issuer or the Underwriter may require.

Section 3.11. Maintenance of Records by State. The State shall maintain records of all amounts held in accounts within the Special Public Works Fund allocable to the Loan. All earnings derived from the investment of such amounts shall be retained in and credited to such accounts and shall be available for disbursement to the Borrower pursuant to 3.02 hereof. The State shall provide the Borrower records relating to such accounts at least twice each year prior to the disbursement of all amounts held in such accounts.

#### ARTICLE IV

#### ASSIGNMENT

SECTION 4.01. Assignment and Transfer by State. (a) The Borrower expressly acknowledges that, other than the right, title and interest of the State under Section 3.06 and Section 5.04, all right, title and interest of the State in, to and under this Loan Agreement either has been or may, at the sole discretion of the State, be assigned to the Trustee as security for the State Bonds as provided in the Bond Indenture, and that if any Event of Default shall occur, the Trustee, pursuant to the Bond Indenture, shall be entitled to act hereunder in the place and stead of the State. The Borrower hereby acknowledges the requirements of the Bond Indenture applicable to the State Bonds and consents to such assignment and appointment. This Loan Agreement, including, without limitation, the right to receive payments required to be made by the Borrower hereunder and to compel or otherwise enforce observance and performance by the Borrower of its other duties, covenants, obligations and agreements hereunder, may be further transferred, assigned and reassigned in whole or in part to one or more assignees or subassignees by the Trustee at any time subsequent to its execution without the necessity of obtaining the consent of, but after giving prior written notice to, the Borrower.

The State shall retain the right to compel or otherwise enforce observance and performance by the Borrower of its duties, covenants, obligations and agreements under Section 3.06 and Section 5.04; provided, however, that in no event shall the State have the right to accelerate the principal payable pursuant to the Loan in connection with the enforcement of Section 3.06 or Section 5.04.

(b) The Borrower hereby approves and consents to any assignment or transfer of this Loan Agreement that the State deems to be necessary in connection with any refunding of the State Bonds or the issuance of additional bonds under the Bond Indenture or otherwise, in connection with any pooled loan program of the State.

SECTION 4.02. Assignment by Borrower.

(a) This Loan Agreement may not be assigned by the Borrower for any reason, unless the following conditions are satisfied:

(i) the State and the Trustee shall have approved such assignment in writing;

(ii) the assignee shall be a governmental unit within the meaning of Section 141(c) of the Code and the assignee shall have expressly assumed in writing the full and faithful observance and performance of the Borrower's duties, covenants, agreements and obligations under the Loan Agreement and the Contract;

(iii) immediately after such assignment, the assignee shall not be in default in the performance or observance of any duties, covenants, obligations or agreements of the Borrower under the Loan Agreement or the Contract;

(iv) the State shall have received an opinion of the State's Counsel to the effect that such assignment will not adversely affect the exclusion of interest on the Loan or the State Bonds, from gross income for purposes of federal income taxation under Section 103(a) of the Code; and

(v) the State shall receive an opinion of Counsel to the effect that such assignment will not violate the provisions of the Bond Indenture or the Act.

(b) Except as provided in paragraph (c) of this Section 4.02, no assignment shall relieve the Borrower from primary liability for any of its obligations under this Loan Agreement or the Contract and in the event of such assignment, the Borrower shall continue to remain primarily liable for the performance and observance of its obligations to be performed and observed under this Loan Agreement and the Contract.

(c) Paragraph (b) of this Section 4.02 shall not apply and the Borrower shall be relieved of its obligation under this Loan Agreement if either:

(i) The Borrower or the assignee demonstrate to the satisfaction of the Trustee that the assignment will not adversely affect the rating of the State Bonds, or

(ii) A rating of the Loan is obtained which (a) addresses the assignment of the Loan Agreement (b) is no lower than the rating of the State Bonds and (c) satisfies the requirements of Section 2.2(a)(x) of the Bond Indenture, or

(iii) The State consents to such assignment and certifies to the Borrower that this Loan Agreement has not been assigned to the Trustee and provides a copy of such certification to the Trustee.

SECTION 4.03. References to Trustee, Bond Indenture, State Bonds and Issuer. During any period of time in which this Loan Agreement has not been assigned to the Trustee, all references in this Loan Agreement to "Trustee," "Bond Indenture," "State Bonds," "Underwriter" and "Issuer" and the provisions of this Loan Agreement pertaining thereto shall be void and of no force or effect except for purposes of determining the applicable requirements of the Bond Indenture or determining any requirements of this Loan Agreement that refer to provisions of the Bond Indenture.

## ARTICLE V

### DEFAULTS AND REMEDIES

SECTION 5.01. Event of Default. If any of the following events occurs, it is hereby defined as and declared to be and to constitute an "Event of Default."

(a) failure by the Borrower to pay, or cause to be paid, on December 1 of any year any Loan Repayment required to be paid hereunder on such due date.

(b) failure by the Borrower to make, or cause to be made, any required payments of principal, redemption premium, if any, and interest on any bonds, notes or other obligations of the Borrower for borrowed money (other than the Loan), after giving effect to the applicable grace period, the payments of which are secured by the source of repayment described in Section 3.09 hereof;

(c) failure by the Borrower to observe and perform any duty, covenant, obligation or agreement on its part to be observed or performed under this Loan Agreement, other than as referred to in paragraph (a) of this Section which failure shall continue for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Borrower by the State or the Trustee, unless the State or the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in such notice is correctable but cannot be corrected within the applicable period, the State or the Trustee may not unreasonably withhold their consent to an extension of such time up to 120 days from the delivery of the written notice referred to above if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the Event of Default is corrected;

(d) any representation made by or on behalf of the Borrower contained in this Loan Agreement, or in any instrument furnished in compliance with or with reference to this Loan Agreement or the Loan or in connection with the State Bonds, is false or misleading in any material respect;

(e) a petition is filed by or against the Borrower under any federal or state bankruptcy or insolvency law or other similar law in effect on the date of this Loan Agreement or thereafter enacted, unless in the case of any such petition filed against the Borrower such petition shall be dismissed within thirty (30) days after such filing and such dismissal shall be final and not subject to appeal; or the Borrower shall become insolvent or bankrupt or make an assignment for the benefit of its creditors; or a custodian (including, without limitation, a receiver, liquidator or trustee of the Borrower or any of its property) shall be appointed by court order or take possession of the Borrower or its property or assets if such order remains in effect or such possession continues for more than thirty (30) days; or

(f) any event of default under Section 7 of the Contract.

SECTION 5.02. Notice of Default. The Borrower shall give the State and the Trustee prompt telephonic notice of the occurrence of any Event of Default referred to in Section 5.01(e) hereof, and of the occurrence of any other event or condition that constitutes an Event of Default at such time as any senior administrative or financial officer of the Borrower becomes aware of the existence thereof. Any telephone notice pursuant to this Section 5.02 shall be confirmed in writing as soon as practicable by the Borrower.

SECTION 5.03. Remedies on Default. Whenever an Event of Default referred to in Section 5.01 hereof shall have occurred and be continuing, the State shall have the right to take, or to direct the Trustee to take, any action permitted or required pursuant to the Bond Indenture or the Loan Agreement and to take whatever other action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce the performance and observance of any duty, covenant, obligation or agreement of the Borrower hereunder, including, without limitation, appointment of a receiver of the System.

In addition, if an Event of Default referred to in Section 5.01(a) hereof shall have occurred and be continuing and if all or a portion of the principal of and interest on the Bonds has been accelerated pursuant to the Bond Indenture, the State shall have the right to declare, or to direct the Trustee to declare, all Loan Repayments and all other amounts due hereunder together with the prepayment premium, if any, calculated pursuant to Exhibit C(8) hereof (assuming that a prepayment penalty in an amount equal to two percent of the principal which has been accelerated shall be due in the case of an Event of Default that occurs and continues prior to the optional loan prepayment date shown on Exhibit C(7) hereto) to be immediately due and payable, and upon notice to the Borrower the same shall become due and payable without further notice or demand.

SECTION 5.04. Attorney's Fees and Other Expenses. The Borrower shall, on demand, pay to the Issuer, the State or the Trustee the reasonable fees and expenses of attorneys, whether at trial or on appeal, and other reasonable expenses (including without limitation the reasonable allocated costs of in-house counsel and legal staff) incurred by either of the Issuer, the State or the Trustee in the collection of Loan Repayments or any other sum due hereunder or in the enforcement of performance or observation of any other duties, covenants, obligations or agreements of the Borrower.

SECTION 5.05. Application of Moneys. Any moneys collected by the State or the Trustee pursuant to Section 5.03 hereof shall be applied (a) first, to pay any attorney's fees or other fees and expenses owed by the Borrower pursuant to Section 5.04 hereof, (b) second, to pay interest due and payable on the Loan, (c) third, to pay principal due and payable on the Loan, (d) fourth, to pay any other amounts due and payable under this Loan Agreement, and (e) fifth, to pay interest and principal on the Loan and other amounts payable hereunder as such amounts become due and payable.

SECTION 5.06. No Remedy Exclusive; Waiver; Notice. No remedy herein conferred upon or reserved to the State or the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy or power accruing upon any Event of Default shall impair any such right, remedy or power or shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. To entitle the State or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article V.

SECTION 5.07. Retention of State's Rights. Notwithstanding any assignment or transfer of this Loan Agreement pursuant to the provisions hereof or of the Bond Indenture, or anything else to the contrary contained herein, the State shall have the right upon the occurrence of an Event of Default to take any action, including (without limitation) bringing an action against the Borrower at law or in equity, as the State may, in its discretion, deem necessary to enforce the obligations of the Borrower to the State pursuant to Section 3.03, Section 3.06 and Section 5.04 hereof.

SECTION 5.08. Default by the State. In the event of any default by the State under any covenant, agreement or obligation of this Loan Agreement or the Contract, the Borrower's remedy for such default shall be limited to injunction, special action, action for specific performance or any other available equitable remedy designed to enforce the performance or observance of any duty, covenant, obligation or agreement of the State hereunder as may be necessary or appropriate. The State shall on demand pay to the Borrower the reasonable fees and expenses of attorneys and other reasonable expenses in the enforcement of such performance or observation.

ARTICLE VI

MISCELLANEOUS

SECTION 6.01. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the Borrower at the address specified on Exhibit C attached hereto and made a part hereof and to the State, the Issuer and the Trustee at the following addresses:

(a) State:

Economic Development Department  
775 Summer Street, N.E.  
Salem, Oregon 97310  
Attention: Manager, Community Development Programs

(b) Trustee:

First Interstate Bank of Oregon, N.A.  
1300 S.W. Fifth Avenue  
Portland, Oregon, 97201  
Attention: Corporate Trust Department

(c) Issuer:

State Treasurer  
159 Capitol  
Salem, Oregon 97310-0840  
Attention: Manager, Debt Management Division

Any of the foregoing parties may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent, by notice in writing given to the others.

SECTION 6.02. Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the State and the Borrower and their respective successors and assigns. In addition, the Trustee shall be considered as a beneficial party to this Loan Agreement, with all attendant rights to enforce the duties, obligations, covenants and agreements of the Borrower set forth herein, to the same extent as if the Trustee was a party hereto.

SECTION 6.03. Severability. In the event any provision of this Loan Agreement shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

SECTION 6.04. Amendments, Supplements and Modifications. This Loan Agreement may not be amended, supplemented or modified without the prior written consent of the State and the Borrower. This Loan Agreement may not be amended, supplemented or modified so as to adversely affect the interest of the owners of the State Bonds.

SECTION 6.05. Execution in Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 6.06. Applicable Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State of Oregon, including the Act.

SECTION 6.07. Consents and Approvals. Whenever the written consent or approval of the State shall be required under the provisions of this Loan Agreement, such consent or approval may only be given by the State unless otherwise provided by law or by rules, regulations or resolutions of the State or unless expressly delegated to the Trustee.

SECTION 6.08. Compliance with Bond Indenture. The Borrower covenants and agrees to observe and comply with, and to enable the State to observe and comply with, all duties, covenants, obligations and agreements contained in the Bond Indenture.

SECTION 6.09. Further Assurances. The Borrower shall, at the request of the State, authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by this Loan Agreement.

IN WITNESS WHEREOF, the State and the Borrower have caused this Loan Agreement to be executed and delivered, effective as of the Loan Closing Date set forth on Exhibit C(1) hereto.

(SEAL)

STATE OF OREGON

BORROWER

By: \_\_\_\_\_  
Yvonne Addington, Manager  
Community Development  
Programs Section

By: David W. R.  
(Signature)

Title: CITY ADMINISTRATOR

Date: \_\_\_\_\_

Date: 19 OCTOBER 1993

## EXHIBIT A OF THE LOAN AGREEMENT

### PROJECT DESCRIPTION

The project consists of the following improvements to slow-sand filters #1 and #2 to be performed sequentially:

- Excavation of all filter and support aggregate to the clay liner, approximately 4,575 cubic yards (cy);
- Remove and replace filtered water collection piping consisting of 3,289 lf of 6" pipe, 266 lf of 21" pipe and installation of the distribution system intertie collar;
- Repair of the clay liner and installation of a plastic liner system, approximately 49,950 square feet (sf);
- Replace support aggregates and filter media, 874 cy and 4,136 cy respectively;
- Construction of a concrete slab for WTP site ingress and egress, install piping to waste; and final engineering and construction services.

The project includes improvements to upgrade the city's fire suppression capabilities in the vicinity of the NORPAC plant consisting of:

- Installation of 1,313 lf of DIP, with valves and appurtenances along the north edge of the NORPAC facilities on West Washington Street, 3 new standard fire hydrants in conjunction with the new transmission line; and
- Funding for the acquisition of municipal water rights on the North Santiam River to ensure an adequate municipal source of supply.



SPECIAL PUBLIC WORKS FUND  
PROJECT BUDGET

Recipient City of Stayton B93015

Project Title Water Treatment Plan and Transmission Line  
Improvements (NorPac)

Activities

Activities	SPWF Grant	SPWF Loan	City Funds	Total
1. Water System Improvements				
a. Filter Beds/WTP	\$ 99,247	\$384,753		\$484,000
b. Transmission Line/Hydrants		44,790		44,790
2. Sanitary Sewer Improvements				
a.				
b.				
3. Storm Sewer Improvements				
a.				
b.				
4. Road and Bridge Improvements				
a.				
b.				
5. Public Trans. & Railroad Fac.				
a.				
b.				
6. Contractual Services				
a.				
b.				
7. a. Engineering/Architectural	10,630	24,161		34,791
b. Administration	XXXXXXXXXX	XXXXXXXXXX	\$28,850	28,850
c. Contingencies	25,923			25,923
8. Other				
a. Water Right Acquisition		56,296	11,704	68,000
b. Legal/Research			10,000	10,000
c. WRD Permit			2,000	2,000
9. Total all Expenses	\$135,800	\$510,000	\$52,554	\$698,354

EXHIBIT C OF THE LOAN AGREEMENT

DESCRIPTION OF THE LOAN

1. Loan Closing Date: November 16, 1993
2. Name and Address of Borrower:
  - \*City of Stayton
  - \*362 N. Third Avenue
  - \*Stayton, OR 97383
3. Cost of the Project: \$698,354
4. Estimated Completion Date of Project: October 18, 1995
5. Principal Amount of Loan:
  - \$510,000
  - \$450,000 - Bond Funded
  - \$ 60,000 - Deferred Loan
  - See Condition of Award #4
6. Interest Rate: 6.5% is estimated; however the final interest rate will be a pass-through of the actual rate of interest established in the sale of the 1993 Series C Bond Issue.
7. Optional Loan Prepayment Date: December 1, 2001
8. Prepayment Premium :

<u>Redemption Dates</u>	<u>Redemption Prices</u>
<u>December 1, 2001 through November 30, 2002</u>	102%
<u>December 1, 2002 through November 30, 2003</u>	101%
<u>December 1, 2003 and thereafter</u>	100%
9. Authorized Officers of Borrower:
  - \*Dave Kinney, City Administrator
  - \*Elaine Fisk, Finance Director
  - \*Hank Porter, Council President

**OREGON SPECIAL PUBLIC WORKS FUND PROGRAM  
PROGRESS REPORT AND CASH REQUEST FORM**

OREGON ECONOMIC DEVELOPMENT DEPT.  
Business Resources Division  
595 Colling Street NE  
Salem, OR 97310

Recipient: \_\_\_\_\_  
Address: \_\_\_\_\_

Project Title \_\_\_\_\_  
Project # \_\_\_\_\_  
Date \_\_\_\_\_

Request is for SPWF loan ( ) grant ( ) funds  
Cash Request # \_\_\_\_\_

Progress Reporting Period: \_\_\_\_\_ to \_\_\_\_\_

TOTAL PROJECT EXPENDITURE REPORT				ACTIVITIES				SPWF CASH REQUEST			
a. SPWF GRANT	b. SPWF LOAN	c.	d.	e.	f. Total	g.	h. Acct. Code	i. CASH REQUEST	j. PRIOR REQUESTS	k. APPROVED SPWF BUDGET	l. BALANCE
\$	\$	\$	\$	\$	\$	1. Water Improvements	985.562	\$	\$	\$	\$
						a.					
						b.					
						2. Sanitary Sewer Improvements	985.563				
						a.					
						b.					
						3. Storm Sewer Improvements	985.564				
						a.					
						b.					
						4. Road and Bridge Improvements	985.565				
						a.					
						b.					
						5. Public Trans. and Railroad Facilities	985.592				
						a.					
						b.					
						6. Solid Waste Facilities	985.593				
						a.					
						b.					
						MATERIALS AND SERVICES					
						7. Contractual Services	985.583				
						a.					
						b.					
						PERSONAL SERVICES					
						8. a. Engineering/Architectural	985.590	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXXXXX
						b. Administration					
						9. Other (Explain)					
						10. TOTAL	985.566	\$	\$	\$	\$

CASH ON HAND: \_\_\_\_\_

1. Please show the amount of SPWF Funds currently on hand (total prior SPWF monies received minus total SPWF expenditures) \$ \_\_\_\_\_
2. If you have SPWF funds on hand, attach information supporting the request for additional SPWF funds in this request.

Recipient \_\_\_\_\_ Project # \_\_\_\_\_

Project Name \_\_\_\_\_ Report Period \_\_\_\_\_ to \_\_\_\_\_

**Project Goals** (report for every cash request and quarterly report)

List each project activity and describe progress on each activity since your last report. Also discuss any problems or delays encountered (change orders, schedule revisions, etc.). Attach additional sheets if necessary.

<u>Proposed Accomplishments</u>	<u>Results Achieved</u>
---------------------------------	-------------------------

**B. Construction Employment** (report only for quarterly reports)

In the space below, show the total number of hours construction employees worked on the infrastructure project during the last quarter. Also show construction man hours worked on any private business projects served by the infrastructure project.

<p><b>Infrastructure Project</b></p> <p>Hours Worked _____</p>	<p><b>Business Projects</b></p> <p>1. Firm Name _____ Hours Worked _____</p> <p>2. Firm Name _____ Hours Worked _____</p> <p>3. Firm Name _____ Hours Worked _____</p>
--	--

**C. Permanent Jobs** (report only for quarterly reports)

In the space below, show the cumulative number of new or retained permanent jobs in private businesses served by the infrastructure project. Show all jobs as fulltime equivalents based on a standard 40 hour work week.

Firm Name _____	Firm Name _____	Firm Name _____
Jobs _____ New ( ) Retained ( )	Jobs _____ New ( ) Retained ( )	Jobs _____ New ( ) Retained ( )

**CERTIFICATION:** I certify that the data are correct and that the amount of any grant request is not in excess of current needs.

\_\_\_\_\_  
Authorized Signature/Title

\_\_\_\_\_  
Authorized Signature/Title

\_\_\_\_\_  
Contact Person

\_\_\_\_\_  
Phone #

Payee: \_\_\_\_\_ Prepare & Mail To: \_\_\_\_\_

**FOR STATE OF OREGON USE**

Business Resources Division:  
Amount Approved: \$ \_\_\_\_\_ (loan);  
\$ \_\_\_\_\_ (grant)

Project Manager \_\_\_\_\_ date \_\_\_\_\_

OCD Manager \_\_\_\_\_ date \_\_\_\_\_

Finance Unit \_\_\_\_\_ date \_\_\_\_\_

Accounting Division:

Receive Date: \_\_\_\_\_

Amount Paid: \$ \_\_\_\_\_

State Check Mailed to Recipient: \_\_\_\_\_

By: \_\_\_\_\_

PROMISSORY NOTE

ECONOMIC DEVELOPMENT DEPARTMENT  
STATE OF OREGON

\$510,000

19 October 1993  
City of Stayton, Oregon

For value received, the City of Stayton (hereinafter "Borrower"), promises to pay to the Economic Development Department of the State of Oregon, having its principal office at 775 Summer Street N.E., Salem, Oregon 97310 (hereinafter "State"), or order, the principal sum of five hundred and ten thousand dollars (\$510,000) plus interest from the date or dates specified in paragraph (b) below, on the unpaid balance at the initial interest rate of six and five-tenths percent (6.5%) per annum. Effective as of the date of any assignment of the Loan Agreement by the State to the Trustee pursuant to Article IV of the Loan Agreement for the purpose of reimbursing the SPWF from the proceeds of State Bonds for the costs of funding the Loan, the interest rate shall convert to the rate described in paragraph (f) below. Interest shall be computed on the basis of a 360-day year, consisting of twelve (12) thirty (30) day months.

Principal and Interest shall be payable as follows:

(a) The Borrower hereby promises to pay to the order of the State the principal amount specified on Exhibit C(5) attached to the Loan Agreement at the times and in the amounts specified on the repayment schedule on Exhibit D to the Loan Agreement.

(b) Other than interest on any draws made by the Borrower of any portion of the principal sum of this Promissory Note that are made pursuant to the terms of the attached Loan Agreement in advance of the Loan Closing Date specified on Exhibit C(1) to the Loan Agreement, all interest due hereunder shall begin to accrue as of such Loan Closing Date. Interest on any draws made by the Borrower of any portion of the principal sum of this Promissory Note in advance of the Loan Closing Date shall begin to accrue as of the date or dates on which such draws are made. A deferred loan of \$60,000 will not accrue interest until the fifth year, with payments commencing in the sixth year of the Loan Agreement through the twentieth year of the Loan Agreement.

(c) In the event that the Borrower receives written notification from the State, the Issuer or the Trustee that payments made pursuant to this Loan Agreement have been assigned to the State under the Bond Indenture, all payments hereunder shall be made directly to the Trustee for the account of the State pursuant to such assignment.

(d) All payments required hereunder shall be paid by the Borrower no later than the first day of the month preceding the month shown on Exhibit D to the Loan Agreement during which such payment is due.

(e) Each payment made by the Borrower hereunder shall be applied first to interest then due and payable on the Loan, then to the principal of the Loan.

(f) Effective as of the date of any assignment of the Loan Agreement by the State to the Trustee pursuant to Article IV of the Loan Agreement for the purpose of reimbursing the SPWF from the proceeds of State Bonds for the costs of funding the Loan, the interest rate on the Loan shall convert to a rate, as calculated by the State, equal to the lowest rate (in one basis point increments) that will be sufficient to ensure that the annual amounts paid by the Borrower pursuant to this Promissory Note shall be no less than the Borrower's pro-rata portion of the maximum annual debt service on the Bonds.

If any default occurs in the payment of an installment, the entire remainder of the unpaid balance, including principal, interest and other charges, if any, shall, at the option of the State, become immediately due and payable. If this Note is placed in the hands of an attorney for collection, Borrower agrees to pay the reasonable collections costs incurred by the holder hereof, including such reasonable attorney fees for trial and appellate services as may be fixed by the court.

This note is not payable prior to its maturity except as provided for in Sections 3.07 and 3.08 of the Loan Agreement.

Presentment, demand, protest, and notice of dishonor, protest and nonpayment are waived by Borrower. This Note shall be binding upon the Borrower and its successors and assigns. If the Borrower or any assignee hereof becomes insolvent, commits an act of bankruptcy, commences or becomes subject to any proceeding under the federal Bankruptcy Act, as amended, or any other insolvency or debtor's relief law, then the entire indebtedness evidenced by this Note shall, at the option of the State, become immediately due and payable.

Failure to exercise any option available to the State under the terms of this Note and the Loan Agreement shall not constitute a waiver of the right to exercise the option in the event of any continuing or subsequent default, and no waiver of any subsequent breach of the same or of any other provision of this Note.

Payments of principal, interest and other fees or charges dues under this Note are payable at the offices of the State, 775 Summer Street N.E., Salem, Oregon 97310, or such other place as the State may designate in writing. Any notice to the State shall be given by certified mail, return receipt requested, at the address stated above. Any notice to Borrower provided for in this Note shall be given by mailing such notice by certified mail, return receipt requested, addressed to Borrower at the address specified on Exhibit C(2) attached to the Loan Agreement, or such other address as Borrower may designate in writing to the State.

The terms, provisions, covenants and conditions contained in this Note shall apply to, inure to the benefit of and bind the parties hereto and their respective heirs, successors and assigns.

In connection with the Loan evidenced by this Note, the Borrower has executed a Loan Agreement of equal date hereto and the indebtedness evidenced by this Note is secured under that Loan Agreement. Any capitalized terms not defined in the Note shall have the meanings assigned to such terms in the Loan Agreement.

IN WITNESS WHEREOF, Borrower has caused this Note to be executed this  
19th day of OCTOBER, 1993.

BORROWER

By: David W. King  
Title: CITY ADMINISTRATOR

NOTICE TO BORROWER

DO NOT SIGN THIS NOTE BEFORE YOU READ IT. THIS NOTE IS NOT SUBJECT TO FULL OR PARTIAL PREPAYMENT BEFORE THE DATE PROVIDED FOR REPAYMENT IN THIS NOTE AND IN THE LOAN AGREEMENT AND A PENALTY FOR ANY SUCH PREPAYMENT MAY BE CHARGED AND COLLECTED.

## SPECIAL CONDITIONS OF AWARD

1. The loan interest rate is quoted for analysis purposes at 6.5%. The final rate will be set with the sale of an Oregon Bond bank revenue bond. The final interest rate of this loan will reflect a pass through of the true interest cost of the revenue bond.
2. The loan shall amortize for a period of 20 years. No prepayments are allowed for a period of 8 years from closing.
3. The loan shall be contingent upon the successful passage of a water user rate increase for basic service of \$1.50 month for residential customers and a \$.05 consumption charge increase.
4. One-half of the deferred loan, ~~\$30,000~~<sup>\$30,500</sup>, shall begin to amortize and be subject to repayment in the sixth (6) year of the loan agreement, at the same rate of interest as the bond financed loan; the balance of the deferred loan shall begin to amortize and be subject to repayment in the eleventh (11) year of the debt service schedule.
5. NORPAC shall enter into a First Source Hiring Agreement with the Oregon Employment Division prior to the disbursement of SPWF funds for the project.
6. The city shall provide a copy of the final specifications, construction plans, bid and contract documents to SPWF for review and approval a minimum of 10 days before the project is advertised for bid.
7. The city shall provide SPWF with a copy of the construction bid tabulation, indicating the qualified apparent low bid, which shall provide the basis for the final award.
8. The city will review and provide a summary of the NORPAC, Stayton Plant, employment records to SPWF with the return of the Memorandum of Understanding. The employment record shall establish the baseline for the measurement of job creation over the 36 month period indicated by NORPAC. During the course of the project the city shall review the company's employment records during the summer and winter season to determine the number and duration of FTE positions created by the company.



## Environmental and Natural Resource Agencies

In compliance with ORS 279.318, the following list is provided to recipients of SPWF construction awards. The federal, state, and local agencies listed have enacted ordinances or regulations relating to environmental pollution or the presentation of natural resources that may affect the performance of construction contracts.

FEDERAL AGENCIES

Agriculture, Department of  
 Forest Service  
 Soil Conservation Service  
 Army, Department of the  
 Corps of Engineers  
 Coast Guard  
 Energy, Department of  
 Environmental Protection Agency  
 Health & Human Services, Department of  
 Heritage Conservation and Recreation Service  
 Interior, Department of  
 Bureau of Indian Affairs  
 Bureau of Land Management  
 Fish and Wildlife Service  
 Office of Surface Mining, Reclamation and Enforcement  
 Bureau of Reclamation  
 Labor, Department of  
 Occupational Safety & Health Administration  
 Mine Safety & Health Administration  
 Transportation, Department of  
 Federal Highway Administration

STATE AGENCIES

Agriculture, Department of  
 Energy, Department of  
 Environmental Quality, Department of  
 Fish and Wildlife, Department of  
 Forestry, Department of  
 Geology and Mineral Industries, Department of  
 Human Resources, Department of  
 Land Conservation and Development Commission  
 State Lands, Division of  
 State Soil & Water Conservation Commission  
 Transportation, Department of  
 Water Resources Department

LOCAL AGENCIES

City Councils  
 County Courts  
 County Commissioners, Boards of  
 Planning Commissions  
 Special Districts: Ports, Water, Sewer, Roads