

RESOLUTION NO. 699

**A RESOLUTION OF THE CITY OF STAYTON, MARION COUNTY, OREGON,
AUTHORIZING ISSUANCE AND SALE OF GENERAL OBLIGATION WATER
REFUNDING BONDS, SERIES 2001.**

WHEREAS, the City issued its \$1,680,00 Refunding General Obligation Refunding Water Bonds, Series 1993;

WHEREAS, the City can reduce its debt service costs and debt service levies by refinancing the Series 1993 Bonds; and,

WHEREAS, the City is authorized to issue general obligation bonds to refinance the Series 1993 Bonds by ORS 288.160 and ORS 288.592.

NOW THEREFORE BE IT RESOLVED as follows:

Section 1. Definitions. Unless the context clearly requires otherwise, the following terms shall have the following meanings:

“BEO” means “book-entry-only” and refers to a system for clearance and settlement of securities transactions through electronic book-entry changes, which eliminates the need for physical movement of securities.

“Bonds” means the City’s General Obligation Water Refunding Bonds, Series 2001 which are authorized by Section 2 of this Resolution.

“Business Day” means any day except a Saturday, a Sunday, a legal holiday, a day on which the offices of banks in Oregon or New York are authorized or required by law or executive resolution to remain closed, or a day on which the New York Stock Exchange is closed.

“Code” means the Internal Revenue Code of 1986, as amended.

“City Official” means the City’s Administrator or Finance Director or another person designated by the City Council to act on behalf of the City pursuant to this Resolution.

“DTC” means the Depository Trust Company of New York, the initial securities depository for the Bonds.

“Government Obligations” means direct noncallable obligations of the United States, or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States.

“Outstanding” refers to all Bonds authorized and delivered pursuant to this Resolution except Bonds which have been paid, canceled, or defeased pursuant to Section 12. of this Resolution, and Bonds which have matured but have not been presented for payment for the payment of which adequate money has been transferred to the Paying Agent.

“Owner” means the person shown on the Bond register maintained by the Paying Agent as the registered owner of a Bond.

“Paying Agent” means the registrar, escrow and paying agent for the Bonds, which, at the time of adoption of this Resolution, is Wells Fargo Bank Northwest, National Association.

“Refundable Bonds” means all or any portion of the City’s General Obligation Refunding Water Bonds, Series 1993.

“Resolution” means this Resolution or any supplemental resolution.

“Supplemental Resolution” means any Resolution amending or supplementing this Resolution, which is adopted in accordance with Section 10.

“Underwriter” means Sutro & Co.

Section 2. Bonds Authorized.

The City is hereby authorized to issue the Bonds to refund all or any portion of the Refundable Bonds pursuant to this Resolution and the applicable provisions of Oregon Revised Statutes Chapter 288. The principal amount of the Bonds shall not exceed the amount required to refund the Refundable Bonds and to pay costs of issuing the Bonds.

Section 3. Security for Bonds.

3.1. The Bonds shall be general obligations of the City. The City hereby pledges its full faith and credit to pay the Bonds, and the City covenants for the benefit of the Owners that the City shall levy annually, as provided by law, in addition to its other ad valorem property taxes and outside the limitations of Sections 11 and 11b of Article IX of the Oregon Constitution, a direct ad valorem tax upon all of the taxable property within the City in sufficient amount, after considering discounts taken and delinquencies that may occur in the payment of such taxes, to pay the Bonds promptly as they mature.

3.2. The Refundable Bonds were issued for capital construction and improvements. The Bonds shall be issued in compliance with ORS 288.160 and ORS 288.592, which authorize the City to levy ad valorem taxes without limitation as to rate or amount for general obligation bonds which refund general obligation bonds which were issued for capital construction or improvements.

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

Section 4. Tax Covenants.

The City covenants with the owners of the Bonds as follows:

4.1. The City covenants to use the proceeds of the Bonds and to otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended, (the "Code") so that interest paid on the Bonds will not be includable in gross income of the Owners. The City specifically covenants:

(A) to comply with the "arbitrage" provisions of Section 148 of the Code, and pay any rebates due to the United States on the gross proceeds of the Bonds;

(B) to yield restrict and pay any rebates due to the United States on any unexpended proceeds of the Refundable Bonds; and,

(C) to operate the facilities which were financed with the proceeds of the Refundable Bonds, and any facilities which are financed with the unexpended proceeds of the Refundable Bonds, so that the Bonds are not "private activity bonds" under Section 141 of the Code.

4.2. The City Official may enter into covenants on behalf of the City to protect the tax-exempt status of the Bonds.

Section 5. Delegation.

The City Official may, on behalf of the City:

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

5.2. provide that the Bonds may be issued in one or more series, and establish the final principal amounts, maturity schedules, interest rates, sale prices, redemption terms, payment terms and dates, record date and other terms of each series of the Bonds;

5.3. negotiate the sale of any series of the Bonds with Sutro & Co, as Underwriter;

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

5.5. enter into one or more escrow deposit agreements, and deposit the proceeds of the Bonds pursuant to the escrow deposit agreements;

5.6. apply for and purchase municipal bond insurance or obtain other forms of credit enhancements for the Bonds, enter into agreements with the providers of credit enhancement, and execute and deliver related documents;

5.7. irrevocably call for redemption the Refundable Bonds which are refunded by the Bonds;

5.8. issue, sell and deliver the Bonds, but only if the Bonds produce debt service savings for the City; and

5.9. execute any documents and take any other action in connection with the Bonds which the City Official finds will be advantageous to the City.

Section 6. Bond Form.

The Bonds shall be substantially in the form attached hereto as Exhibit A, with such changes as may be approved by the City Official. The Bonds may be printed or typewritten, and may be issued as one or more temporary Bonds which shall be exchangeable for definitive Bonds when definitive Bonds are available. The Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and the City Official.

Section 7. Book Entry System.

The Bonds shall be initially issued in BEO form and shall be governed by this Section 7. While Bonds are in BEO form no physical Bonds shall be provided to the Owners. The City Official has executed and delivered a blanket letter of representations to DTC. While the Bonds are in BEO form, registration and transfer of beneficial interests in the Bonds shall be governed by that letter and the operational arrangements of DTC, as they may be amended from time to time, as provided in the blanket issuer letter of representations. So long as Bonds are in BEO form:

7.1. DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to Owners of Bonds. Bond payments shall be made, and notices shall be given, to DTC in accordance with the letter of representations. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of Bonds called for redemption or of any other action premised on such notice.

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

7.3. If the City discontinues maintaining the Bonds in book-entry only form, the City shall cause the Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 9. below, regarding registration, transfer and exchange of Bonds shall apply.

7.4. The City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:

(A) the accuracy of the records of DTC, the nominee or any participant or correspondent with

respect to any beneficial owner's interest in the Bonds;

(B) the delivery to any participant or correspondent or any other person of any notice with respect to the Bonds, including any notice of prepayment;

(C) the selection by DTC of the beneficial interest in Bonds to be redeemed prior to maturity;
or

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

(E) The provisions of this Section 7. may be modified without the consent of the beneficial owners in order to conform this Section to the standard practices of DTC or any successor depository for bonds issued in book-entry only form.

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

Section 8. Redemption of Bonds.

8.1. The Bonds shall be subject to redemption on the terms established by City Official. The City reserves the right to purchase Bonds in the open market.

8.2. If any Bonds are subject to mandatory redemption, the City may credit against the mandatory redemption requirement any Bonds of the same maturity which the City has previously purchased or which the City has previously redeemed pursuant to any optional redemption provision.

8.3. So long as Bonds are in book-entry only form, the Paying Agent shall notify DTC of any early redemption not less than 30 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by a letter of representation submitted to DTC in connection with the issuance of the Bonds.

8.4. During any period in which the Bonds are not in book-entry only form, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first class mail postage prepaid at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond register or at such other address as is furnished in writing by such Owner to the Paying Agent. The City shall notify the Paying Agent of any intended redemption not less than 45 days prior to the redemption date. All such official notices of redemption shall be dated and shall state:

(A) the redemption date,

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

Section 9. Authentication, Registration and Transfer.

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

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

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

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

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

- (A) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent and
- (B) the Bonds to be exchanged or transferred.

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

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

9.8. For purposes of this Section 9, Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 9.5, above.

9.9. The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

Section 10. Amendment of Resolution.

10.1. The City may enact a Supplemental Resolution to amend this Resolution without the consent of any Owner for any one or more of the following purposes:

- (A) To cure any ambiguity or formal defect or omission in this Resolution;
- (B) To add to the covenants and agreements of the City in this Resolution other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Resolution as theretofore in effect;
- (C) To confirm, as further assurance, any security interest or pledge created under this Resolution or any Supplemental Resolution;
- (D) To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners.

10.2. This Resolution may be amended for any other purpose only upon consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected Bonds then Outstanding. However, no amendment shall be valid which:

- (A) Extends the maturity of any Bonds, reduces the rate of interest upon any Bonds, extends the time of payment of interest on any Bonds, reduces the amount of principal payable on any Bonds, or reduces any premium payable on any Bonds, without the consent of the affected Owner; or
- (B) Reduces the percent of Owners required to approve Supplemental Resolutions.

Section 11. Default and Remedies.

11.1. The occurrence of one or more of the following shall constitute a Event of Default under this Resolution:

- (A) Failure by the City to pay Bond principal, interest or premium when due (whether at maturity, or upon redemption after a Bond has been properly called for redemption);
- (B) Failure by the City to observe and perform any covenant, condition or agreement on its part

to be observed or performed for the benefit of Owners of Bonds, for a period of 60 days after written notice to the City by the Owners of ten percent or more of the principal amount of Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this paragraph 11.1(B); or,

(C) The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the installment payments.

11.2. The Owners of ten percent or more of the principal amount of Bonds then Outstanding may waive any Event of Default and its consequences, except a Event of Default described in Section 11.1(A).

11.3. Upon the occurrence and continuance of any Event of Default hereunder the Owners of ten percent or more of the principal amount of Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Resolution or in aid of the exercise of any power granted in this Resolution or for the enforcement of any other legal or equitable right vested in the Owners of Bonds by this Resolution or by law. However, the Bonds shall not be subject to acceleration.

11.4. No remedy in this Resolution conferred upon or reserved to Owners of Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Resolution or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners of Bonds to exercise any remedy reserved to them, it shall not be necessary to give any notice other than such notice as may be required by this Resolution or by law.

Section 12. Defeasance.

The City shall be obligated to pay Bonds which are defeased pursuant to this Section solely from the money and Government Obligations deposited with the escrow agent or trustee, and the City shall have no further obligation to pay the defeased Bonds from any source except the amounts deposited in the escrow. Bonds shall be deemed defeased if the City:

12.1. irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient for the payment of Bonds without reinvestment which are to be defeased; and

12.2. files with the escrow agent or trustee an opinion from an independent, certified public

accountant to the effect that the money and the principal and interest to be received from the Government Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Bonds when due; and

12.3. files with the escrow agent or trustee an opinion of nationally recognized bond counsel that the proposed defeasance will not cause the interest component of the Bonds to be includable in gross income under the Code;

Section 13. Designation of Bonds as Qualified Tax-Exempt Obligations.


The City designates the Bonds as qualified tax-exempt obligations pursuant to Section 265(b)(3) of the Code. The City covenants not to so designate tax-exempt obligations in the current calendar year in an aggregate amount of more than \$10,000,000. The City (and all subordinate entities thereof, if any) does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations during the current calendar year.

This Resolution shall become effective upon the adoption by the Stayton City Council.

ADOPTED BY THE STAYTON CITY COUNCIL this 5th day of November, 2001.

Signed: November 7, 2001

CITY OF STAYTON

By: 
GERRY ABOUD, Mayor

Signed: 11-7, 2001

ATTEST: 
CHRIS CHILDS, City Administrator

APPROVED AS TO FORM:


David A. Rhoten, City Attorney

Exhibit A

No. R-«BondNumber»

\$«PrincipalAmtNumber»

United States of America
City of Stayton
Marion County, Oregon
General Obligation Water Refunding Bonds
Series 2001

Dated Date: November 1, 2001

Interest Rate Per Annum: «CouponRate»%

Maturity Date: _____, «MaturityYear»

CUSIP Number: «CUSIPNumbr»

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

Principal Amount: -----«PrincipalAmtSpelled» Dollars-----

City of Stayton, Marion County, Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the first day of February and the first day of August in each year until maturity or prior redemption, commencing February 1, 2002. Payment of each installment of interest shall be made to the Registered Owner hereof whose name appears on the registration books of the City maintained by the City's paying agent and registrar, which is currently Wells Fargo Bank Northwest, National Association (the "Registrar"), as of the close of business on the fifteenth (15th) day of the calendar month immediately preceding the applicable interest payment date. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be paid on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York, and Cede & Co. is the nominee of The Depository Trust Company. Such payments shall be made payable to the Resolution of "Cede & Co."

This bond is one of a duly authorized series of bonds aggregating \$_____ in principal amount designated as General Obligation Refunding Bonds, Series 2001 (the "Bonds"). The Bonds are issued for the purpose of refunding the City's outstanding General Obligation Refunding Water Bonds, Series 1993. The Bonds are issued under and pursuant to Resolution No. 699 of the City adopted on November 5, 2001 (the "Resolution") and in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City.

The Bonds constitute valid and legally binding obligations of the City. The full faith and credit of the City are pledged for the punctual payment of the principal of and interest on the Bonds. The City has pledged and is obligated by law to provide for the levy and collection annually of ad valorem taxes without limitation as to rate or amount on all taxable property within the boundaries of the City to pay the principal of and interest on the Bonds. The Bonds do not constitute a debt or indebtedness of the State of Oregon, or any political subdivision thereof other than the City.

The Bonds are initially issued as a book-entry-only security issue with no certificates provided to the beneficial owners. Records of ownership of beneficial interests in the Bonds will be maintained by The Depository Trust Company and its participants.

Should the book-entry only security system be discontinued, the Bonds shall be issued in the form of registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. Such Bonds may be exchanged for Bonds of the same aggregate principal amount, interest rate and maturity date, but different authorized denominations, as provided in the Resolution.

The Bond is subject to redemption as described in the Final Official Statement for the Bonds which is dated _____, 2001.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Blanket Issuer Letter of Representations to The Depository Trust Company, as referenced in the Resolution. Interest on any Bond or Bonds so called for redemption shall cease on the redemption date designated in the notice. The Registrar will notify The Depository Trust Company promptly of any Bonds called for redemption not less than 30 days prior to the date fixed for redemption. If the book-entry-only system is discontinued, notice of redemption shall be given by first-class mail, postage prepaid, not less than thirty days nor more than sixty days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the bond register; however, any failure to give notice shall not invalidate the redemption of the Bonds. All Bonds called for redemption shall cease to bear interest from the date designated in the notice.

Any exchange or transfer of this Bond must be registered, as provided in the Resolution, upon the bond register kept for that purpose by the Registrar. The exchange or transfer of this Bond may be registered only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Registrar and which is executed by the registered owner or duly authorized attorney. Upon registration, a new registered Bond or Bonds, of the same series and maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Resolution. The City and the Registrar may treat the person in whose name this Bond is registered on the bond register as its absolute owner for all purposes, as provided in the Resolution.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon and the Charter of the City; and that the issue of which this Bond is a part, and all other obligations of the City, are within every debt limitation and other limit prescribed by such Constitution and Statutes and City Charter; and that the City has covenanted to levy a tax upon all taxable property within the City in an amount sufficient, with other available funds, to pay when due the interest on and the principal of the Bonds.

IN WITNESS WHEREOF, the City Council of the City of Stayton, Marion County, Oregon, by Resolution duly passed, has caused this Bond to be signed by facsimile signature of its Mayor and countersigned by facsimile signature of its Finance Director all as of the first day of _____, 2001.

City of Stayton, Oregon

Attest

Gerry Aboud, Mayor

Erna Barnett, Finance Director

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

This Bond is one of a series of \$_____ aggregate principal amount of the City Stayton, Marion County, Oregon General Obligation Water Refunding Bonds, Series 2001, issued pursuant to the Resolution described herein.

Date of authentication: _____, 2001.

Wells Fargo Bank Northwest, National Association, as Registrar

Authorized Officer

ASSIGNMENT

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

(Please insert social security or other identifying number of assignee)

this Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer this Bond on the books kept for registration thereof with the full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company _____ Signature Guaranteed (Bank, Trust Company or Brokerage Firm) Authorized Officer

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

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