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RESOLUTION NO. R1314-07

A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF THE CITY OF GOLD BEACH, CURRY COUNTY, OREGON, WASTEWATER REVENUE BOND NO. 1 IN THE PRINCIPAL SUM OF NOT TO EXCEED $4,158,000 TO THE UNITED STATES OF AMERICA, ACTING THROUGH THE UNITED STATES DEPARTMENT OF AGRICULTURE FOR THE PURPOSE OF PROVIDING A PORTION OF THE COSTS OF IMPROVING AND CONSTRUCTING THE CITY'S WASTEWATER SYSTEM, PROVIDING FOR THE FORM AND TERMS OF SAID BOND AND AUTHORIZING THE PAYMENT OF SAME.

WHEREAS, the City Council (the "City Council") of the City of Gold Beach, Curry County, Oregon (the "City" or "Borrower"), pursuant to the authority of Oregon Revised Statutes 287A.150, the Constitution and Laws of the State of Oregon and laws amendatory thereof and supplemental thereto, adopted RUS Bulletin 1780-27 Loan Resolution on August 23, 2010 and Resolution No. R1011-07 on October 12, 2010 (collectively, the "Resolution"), duly authorizing the City to issue wastewater revenue bonds in an amount not to exceed $4,158,000 to finance a portion of the costs of improving and constructing the City's wastewater system, and to fund any necessary reserves and costs of issuance. Collectively, the development, construction, improvements and repairs to the City's wastewater system and related wastewater facilities within the boundaries of the City, are referred to herein as the "Project" and the facilities are collectively referred to herein as the "Facility"; and

WHEREAS, notice of adoption of City Resolution No. R1011-07 was given as provided by law on October 20, 2010 and October 27, 2010 and no petitions were filed by the electors of the City on or before December 20, 2010, the 61st day after the date of first publication.

WHEREAS, the United States of America, acting through the United States Department of Agriculture (the "Government") appropriated $4,158,000, as set forth in a Letter of Conditions dated August 9, 2010, as amended by Amendment No. 1 dated November 17, 2011 and by Amendment No. 2 dated December 3, 2013, and as may be further amended, to loan that amount to the City at an interest rate of 2.375% per annum for the Project; and

WHEREAS, the City has been directed to proceed in accordance with law to issue the bonds, and concurrently therewith and subsequent thereto the City has commenced negotiations with the Government for financial assistance to improve the Facility; and,

WHEREAS, the Government has indicated a desire to consider financial assistance and as a result, it is necessary to cause the execution and delivery of installment bonds or other evidence of indebtedness to secure any loan or loans made, or insured by the Government and to comply with any requirements, terms, and conditions prescribed by the Government or by Government regulations and to execute contracts or enter into agreements and to take any and all other action as may be necessary, incidental or appropriate to improve the Facility for and on behalf of the City;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GOLD BEACH:

SECTION 1. It is necessary to defray a portion of the costs of improving the Facility by obtaining a loan made by the Government in accordance with the applicable provisions of the Rural Development Act of 1972, and the Government has acknowledged that the City is unable to obtain sufficient credit elsewhere to finance the Facility taking into consideration prevailing private and cooperative rates and terms concurrently available.

SECTION 2. The City shall borrow $4,158,000 and issue as evidence thereof an installment Wastewater Revenue Bond No. 1 (the "Bond") for the full principal amount of the loan. The Bond shall be dated with the date of delivery thereof, and shall be in substantially the following form:

UNITED STATES OF AMERICA
STATE OF OREGON
COUNTY OF CURRY COUNTY
CITY OF GOLD BEACH
WASTEWATER REVENUE BOND NO. 1

KNOW ALL MEN BY THESE PRESENTS: The City of Gold Beach, Curry County, Oregon, hereinafter called the "Borrower", hereby acknowledges itself indebted and for value received promises to pay to the order of the United States of America, acting through the United States Department of Agriculture, hereinafter called the "Government", the principal sum of Four Million One Hundred Fifty-Eight Thousand Dollars ($4,158,000) plus interest on the unpaid principal balance at the rate of 2.375% per annum. The said principal and interest shall be payable in the following installments on or before the following dates:

The sum of $162,204 on the 22nd day of January, 2015, and the sum of $162,204 annually thereafter on the 22nd day of January until the principal and said interest are fully paid, except that the final installment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable forty (40) years from the date of this bond.

All or part of the outstanding bond installments may be paid in inverse order on any date without premiums.

This bond shall be registered as to principal and interest in the name of the United States of America in an appropriate book in the Office of the Borrower, each registration to be noted on the Bond Registration Certificate attached hereto by the City Recorder of the Borrower and no transfer hereof shall be valid unless made on said book and similarly noted on the Bond Registration Certificate.

Both the principal and interest shall be paid to the United States of America (as such registered holder) at the Government's Office of the United States Department of Agriculture, Rural Development, serving Curry County, Oregon.

Default hereunder shall constitute default under any other instrument evidencing a debt of the Borrower owing to or insured by the Government or securing or otherwise relating to such a debt, and default under any other such instrument shall constitute default hereunder. Upon default the Government, at its option, may declare all or any part of the indebtedness immediately due and payable.

This bond is given as evidence of a loan to the Borrower made by the Government pursuant to the Rural Development Act of 1972, as amended, and shall be subject to the present regulations of the Government or its successor agency not inconsistent with the express provisions hereof.

This bond is authorized and issued by virtue of Resolution No. R1011-07 adopted by the City Council of the Borrower on October 12, 2010, notice of which was duly published as provided by law on October 20, 2010 and October 27, 2010, and by Resolution No. R1314-07 adopted by the City Council of the Borrower on January 13, 2014 (collectively, the "Resolution"), and pursuant to the Constitution and Laws of the State of Oregon, and laws amendatory thereof and supplemental thereto.

This bond and the interest thereon are payable solely from the net revenues of the wastewater system of the Borrower and neither the bond nor the payment of interest impose any general liability upon the Borrower for the payment thereof out of any monies other than net revenues of the Borrower's wastewater system. It is hereby covenanted by the Borrower that so long as this bond shall be outstanding and unpaid, or until there shall have been set apart solely for that purpose sums sufficient to pay when due the entire principal sum hereof together with interest accrued, or to accrue thereon, the Borrower shall fix and collect charges for wastewater system services, such as to provide revenue sufficient to pay, as the same shall become due, the principal and interest of this bond, and in addition, to pay, as the same become due, the necessary expenses of operating, maintaining, renewing and replacing the wastewater system of the Borrower, from appropriate reserve funds for such purposes and all other obligations and indebtedness payable out of the revenues of the Borrower's wastewater system.

The unobligated net revenues of the Borrower's wastewater system, after payment of the ordinary operation and maintenance expenses thereof, are pledged to the payment of the principal of and interest upon the Bond.

This bond is exchangeable at the sole expense of the Borrower at any time, upon ninety (90) days written notice, at the request of the registered owner hereof, and upon surrender of this bond to the Borrower at the office of the Borrower for registered bonds of the denomination of $5,000.00 each, or integral multiples thereof, in the aggregate principal amount equal to the unpaid principal amount of the bond, and bearing interest on the unpaid principal balances at the rate of 2.375% per annum.

It is hereby certified, recited, and declared that all acts, conditions and things required to exist, happen, and 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 law, that the amount of this bond, together with all obligations of the Borrower, does not exceed any limits

prescribed by the Constitution and Statutes of the State of Oregon and the Charter of the Borrower.

IN WITNESS WHEREOF, the City of Gold Beach, Curry County, Oregon has caused this bond to be signed by its Mayor and attested by its City Recorder, all on the 22nd day of January, 2014.

CITY OF GOLD BEACH
CURRY COUNTY, OREGON

By_____
Mayor

Do not sign.
* See page 9

ATTEST:

By_____
City Recorder

BOND REGISTRATION CERTIFICATE

CITY OF GOLD BEACH
CURRY COUNTY, OREGON

WASTEWATER REVENUE BOND NO. 1

DATE: January 22, 2014

Do not sign.

Registered in name of:
United States of America

By: _____
City Recorder

[End of bond form.]

SECTION 3. The unobligated net revenues of the Borrower's wastewater system, after payment of the ordinary operation and maintenance expenses thereof, are pledged to the payment of the principal of and interest upon the Bond.

SECTION 4. The City Administrator shall be the custodian of all funds of the Facility and all funds shall be deposited in a bank which is a member of the Federal Deposit Insurance Corporation or in the Local Government Investment Pool. The City Administrator shall execute a Fidelity Bond in an amount not less than $162,204 with a surety company approved by the Government and the amount thereof shall not be reduced without the prior written consent of the Government. The City Administrator is hereby directed to establish the following accounts into which the current funds of the Bond proceeds, the revenues from the Facility and other income shall be deposited, which accounts shall be continually maintained, except as otherwise provided, so long as the Bond hereby authorized remains unpaid.

(a) Construction Account. The proceeds of the Bond hereby authorized and any interim financing acquired shall be deposited in the Construction Account. Amounts in the Construction Account exceeding $100,000.00 shall either be secured by the depository bank in advance in accordance with State and Federal law or deposited in the Oregon Local Government Investment Pool. Withdrawal from the Construction Account shall be made only on checks signed by any of the following City officials: the Mayor, the City Administrator or the City Recorder, as authorized by the City Council, and only for the purposes for which said bond was issued as specified in the estimate of costs. The City's share of any liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction

Account to assure completion of the Project. When the construction of the Facility has been completed or all construction costs have been paid in full, any balance remaining in the Construction Account shall be used to pay outstanding installments on the Bond in inverse order without premiums; provided, however, that the proceeds of the Bond deposited in the Construction Account shall be used to retire any interim financing. The Construction Account shall then be closed.

(b) Revenue Account. The revenues of the Borrower's wastewater system shall be set aside into a separate account to be designated the Revenue Account, and moneys so deposited therein shall be expended and used only in the manner and order as follows:

(i) Operations and Maintenance Account (bookkeeping account). There shall be set aside and deposited each month, before any other expenditures therefrom, a sufficient portion of the moneys in the Revenue Account to pay the reasonable and necessary current expenses of operating, maintaining and administering the Facility for the current month.

(ii) Debt Service Account (bookkeeping account). After the transfer required in item (i) above, there shall be transferred each month from the Revenue Account or other available funds pledged to the Bond, before any other expenditures or transfer therefrom, and deposited in the Debt Service Account for payment of the annual installment of the bond, a sum equal to at least one-twelfth of the annual installment becoming due on the next succeeding 22nd day of January. If the City for any reason shall fail to make such monthly deposit, then an amount equal to the deficiency shall be set apart and deposited in the Debt Service Account out of the gross revenues in the ensuing month or months, which amount shall be in addition to the regular monthly deposit required during each succeeding month or months.

Whenever there shall accumulate in the Debt Service Account amounts in excess of the requirements during the next twelve months for paying principal and interest on outstanding bond installments, and in the Operation and Maintenance Account and the Reserve Account hereinafter established, amounts in excess of the requirements thereof, such excess may be used by the City to make prepayments on the bond.

(c) Reserve Accounts.

(i) Debt Service Reserve Account. The Borrower shall establish and maintain a Debt Service Reserve Account. The Borrower shall set aside and deposit in the Debt Service Reserve Account the sum of $162,204 after which no further deposits need be made into said account except to replace withdrawals as described in the second paragraph of this Section 4(c)(i). Proof of the Debt Service Reserve Account balance shall be provided each year in the Borrower's annual audited financial statements. The Debt Service Reserve Account is in addition to any existing or future reserve account obligation of the City.

The Debt Service Reserve Account shall be used and disbursed only for the purpose of paying the cost of repairing or replacing any damage to the Facility which

may be caused by any unforeseen catastrophe and when necessary for the purpose of making payments of principal and interest on the Bond hereby authorized in the event the amount of the Debt Service Account is insufficient to meet such payments. Approval by the Government is required prior to the use of the Debt Service Reserve Account funds. Whenever disbursements are made from the Debt Service Reserve Account, the Borrower shall be required to make deposits until there is again accumulated the amount of $162,204 at which time deposits may be discontinued.

(ii) Short-Lived Asset Replacement Reserve Account. The Borrower shall establish and maintain a Short-Lived Asset Replacement Reserve Account ("SLARRA"). The Borrower shall set aside and deposit in the SLARRA the sum of not less than $32,500 annually. Amounts in the SLARRA shall be used and disbursed only for the purpose of replacing facility assets with an estimated life of less than fifteen years. Approval by the Government is not required prior to the use of amounts in the SLARRA.

SECTION 5. The Borrower covenants and agrees that so long as the Bond hereby authorized remains unpaid:

(a) The Borrower will indemnify the Government for any payments made or losses suffered by the Government as a result of or in connection with the Facility.

(b) The Borrower will comply with applicable State laws and regulations and continually operate and maintain the Facility in good condition.

(c) The Borrower will impose and collect sufficient rates and charges for use of the Facility to provide for the operation and maintenance thereof and the payments on the Bond hereby authorized and the maintenance of the various funds herein created; that all use of the Facility shall be subject to the full rates prescribed in the rules and regulations of the Borrower; and that no free use of the Facility will be permitted.

(d) The Borrower will maintain complete books and records relating to the operation of the Facility and its financial affairs and will cause such books and records to be audited annually at the end of each fiscal year and an audit report prepared, and will furnish the Government, without request, a copy of each annual audit report. At all reasonable times the Government shall have the right to inspect the Facility and the records, accounts and data of the Borrower relating thereto.

(e) The Borrower will maintain such insurance coverage as may be required by the Government.

(f) The Borrower will not borrow money from any source or enter into any contract or agreement or incur any other liabilities in connection with making extensions or improvements to the Facility, exclusive of normal maintenance, without obtaining the prior written consent of the Government.

(g) The Borrower will not dispose of or transfer its title to the Facility or any part thereof, including lands and interest in lands, by sale, mortgage, lease, or other encumbrance, without the prior written consent of the Government.

ADOPTED by the City Council of the City of Gold Beach, Curry County, Oregon, this 13th day of January, 2014.

CITY OF GOLD BEACH
CURRY COUNTY, OREGON

By _____
Mayor

ATTEST:

By _____
City Recorder