

ORDINANCE #97-3

ORDINANCE OF THE ROSEBURG URBAN SANITARY AUTHORITY AUTHORIZING A LOAN FROM THE SPECIAL PUBLIC WORKS FUND AND DECLARING AN EMERGENCY BY ENTERING INTO A LOAN CONTRACT WITH THE OREGON ECONOMIC DEVELOPMENT DEPARTMENT

The Roseburg Urban Sanitary Authority (the "Governing Body") of the Roseburg Urban Sanitary Authority (the "Municipality") finds:

- a. The Municipality is a "municipality" within the meaning of Oregon Revised Statutes 285.700(1).
- b. Oregon Revised Statutes 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.
- c. The Municipality has filed an application with the Department to obtain financial assistance for an "infrastructure project" within the meaning of the Act.
- d. The Department has approved the Municipality's application for financial assistance from the Special Public Works Fund pursuant to the Act.
- e. The Municipality 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 Exhibit "A" and "B".
- f. 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 Municipality.

- g. Notice relating to the Municipality's consideration of the adoption of this Ordinance was published at least once in a newspaper of general circulation within the Roseburg Urban Sanitary Authority. Such notice was published at least 14 days in advance of the adoption of this Ordinance.

NOW THEREFORE, BE IT RESOLVED by the Governing Body of the Municipality as follows:

1. **Loan Authorized.** The Governing Body authorizes the Chairman of the Board and General Manager to execute the Financial Assistance Award Contract, Loan Agreement, the Promissory Note attached as Exhibit "F" 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 Municipality is not in excess of \$250,000, and the interest rate on such loan is not in excess of 5.01 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.

2. **Security.** Amounts payable by the Municipality shall be payable from the sources described in Section 3.09 of the Loan Agreement and Oregon Revised Statutes 285.723(2) which include:
 - a. Any sources of funds what are legally available to the Municipality.
 - b. The revenues, if any, of the Project, including special assessment revenues, if any, and
 - c. The Municipality's general fund including the general fund revenues of the Municipality, other funds which may be available for such purpose and a pledge of the Municipality'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 Municipality to make payments pursuant to the Loan Agreement is a full faith and credit obligation of the Municipality that is not subject to annual appropriation.

3. **Additional Documents.** The Chairman of the Board and General Manager are 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.

4. **Tax-Exempt Status.** The Municipality covenants not to take any action or omit to take any action if the taking or omission would cause interest paid by the Municipality 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 Chairman of the Board and General Manager of the Municipality may enter into covenants on behalf of the Municipality to protect the tax-exempt status of the interest paid by the Municipality pursuant to the Loan Agreement and may execute any Tax Certificate, Internal Revenue Service forms or other documents as shall be required by the Department of their bond counsel to protect the tax-exempt status of such interest.

5. **Reimbursement Bonds.** The Municipality may reimburse expenditures for the Project with amounts received from the Department pursuant to the Financing Documents. Additionally, the Municipality understands that the Department may fund or reimburse itself for the funding of amounts paid to the Municipality 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 Municipality's loan pursuant to the Financing Documents and with the proceeds of any bonds issued by the State of Oregon pursuant to the Act.

6. **Declaration of Emergency.** The Governing Body 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 force and effect from and after passage of the Governing Body.

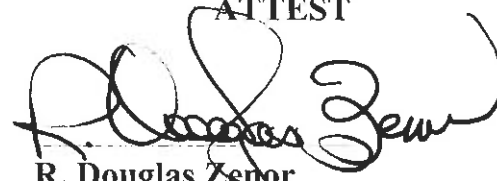
DATED this 9th day of October, 1997.

THE ROSEBURG URBAN SANITARY AUTHORITY



J. William Neuner
Chairman of the Board

ATTEST



R. Douglas Zenor
General Manager

COPY

RECIPIENT COPY

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 Roseburg Urban Sanitary Authority ("Borrower"). The reference number of this Contract is B98002.

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 \$1,708,974 is a reasonable estimate of the Costs of the Project, as hereinafter defined; and

WHEREAS, the Borrower has committed to provide \$1,208,974 in public and/or private resources as matching funds for the Project; and

WHEREAS, the State is willing to provide a Loan of \$250,000 and a Grant of \$250,000 to the Borrower on the terms and conditions of this Contract. Interest earnings are estimated to be \$2,500.

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

"Contract" means a contract between the State and a Borrower including the Loan Agreement and Note 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” 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 \$250,000 (the “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 \$250,000 (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 SPECIAL PUBLIC WORKS FUND 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 twenty-nine percent (29%) 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 \$1,208,974 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 any 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 will create and/or retain 122 full-time jobs. The following firms have pledged to (create/retain) jobs in connection with the Project.

Firm	Number of Jobs to be Created/Retained	Number of Family-Wage Jobs
Reddick Hydraulic Cylinder Company and Boyer Meat Company	24 8	24 8
The minimum number of jobs that must be created within two (2) years from the date of this Contract to meet program requirements are:	25	8

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 that relate to the construction of the Project and the operation of any utility system of which the Project is a component. 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, if any, 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

Except as may be provided in the Special Conditions of Award, in the event the Project, or any portion thereof, is destroyed and the project is insured, 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

In case of any loan that is not funded in whole or in part with the proceeds of State Bonds, the borrower shall establish and maintain the following Construction Account: The Loan proceeds (as and when the Loan proceeds are disbursed by the State to the Borrower), 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.

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. Except as may be provided in the Special Conditions of Award, 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

Except as may be provided in the Special Conditions of Award, 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, Reddick Hydraulic Cylinder Company and Boyer Meat Company shall enter into a First Source Hiring Agreement with the Umpqua Training and Employment Inc., 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 material respect; or
- C. The Borrower fails to perform or observe any of its covenants or agreements contained herein; or
- D. If, within six (6) months from the date of this Contract, the Borrower has not entered into binding legal agreements with all private parties necessary to complete the Project; 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 Regional Development Division
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If to the Borrower:	Chair Roseburg Urban Sanitary Authority PO Box 1185 Roseburg, OR 97470
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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

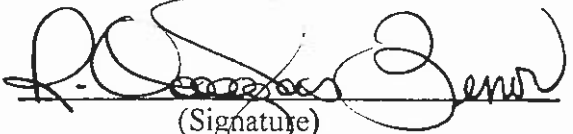
This Contract constitutes the entire agreement between the parties. There are no understandings, agreements or representations, oral or written, not specified herein regarding this Contract. Borrower, by the signature below of its authorized representative, hereby acknowledges that it has read this Contract,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

Roseburg Urban Sanitary Authority
(Borrower)

By: _____
Yvonne L. Addington, Manager
Regional Development Division

By: 
(Signature)

Title: GENERAL MANAGER

Date: _____

Date: 8-4-97

EXHIBIT
B

Loan Agreement

BETWEEN

STATE OF OREGON

acting by and through its

ECONOMIC DEVELOPMENT DEPARTMENT

AND

ROSEBURG URBAN SANITARY AUTHORITY

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- Exhibit E Form of Requisition
- Exhibit F Promissory Note

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 dated as of July 1, 1993, between the State and the Trustee 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 Salem, Oregon or 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) preliminary costs such as engineering and architectural reports, studies, surveys, soil tests, designs, plans, working drawings and specifications necessary for 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. References in this Loan Agreement to a Borrower’s “System” shall be ignored to the extent that the Project is not a component of a utility system or systems.

“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.

(iii) 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.

(iv) The proceedings of the Borrower's governing members and voters, if necessary, approving this Loan Agreement and authorizing their execution, issuance and delivery of this Loan Agreement 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.

(v) 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.

(vi) 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 any 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 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.

(i) 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 produce revenues 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) To the extent shown in the Special Conditions of Award, 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.

The Loan shall be paid from the sources of repayment described in Section 3.09 of this Loan Agreement. Such sources shall be applied to 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) shall be in one of the three highest rating categories (without regard to any refinement or gradation of rating category by numerical modifier or otherwise) by Moody's Investors Service or Fitch Investors Service, Inc., 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 loan 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 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 141 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 of the "gross proceeds" (within the meaning of Section 148 of the Code) of the Loan or any other funds or take any action or omit to take any action, which use or action or omission would cause the Loan 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 in any manner that would constitute an "advance refunding" within the meaning of Section 149(d)(5) of the Code and shall not refund the Loan or any part of the Loan without prior written approval of the State.

(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, including any proceeds or other amounts held in a reserve fund, 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 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) The Borrower shall not enter into any management agreement for the operation of the Project that would cause the Loan to be or become a "private activity bond" within the meaning of Section 141(a) of the Code.

(ix) 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, 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. The Borrower acknowledges that the Loan may be funded in whole or in part with the proceeds of the State Bonds and that failure to comply with the requirements of this subsection (e) could adversely affect any exclusion of the interest on the State Bonds from gross income for federal income tax purposes.

(x) Neither the Borrower nor any related party to the Borrower shall 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 sources of repayment 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 the revenues and funds that are the source of repayment of the Loan (the "Repayment Revenues"), separate and distinct from its other records and accounts (the "General Records"). Such Repayment Revenues 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 Repayment Revenues 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 loan documents or other financing documents and 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, the Project 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) Continuing Disclosure Requirements.

The Borrower shall provide the State with any information needed to comply with paragraph (b)(5) of the Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12), (the "Rule") with respect to Oregon Bond Bank Revenue Bonds issued by the State Treasurer to fund any portion of the Borrower's Loan. In addition, if the Borrower becomes an "obligated person" within the meaning of the Rule or an "Obligated Borrower," as such term is defined by the State or the State Treasurer of the State of Oregon, the Borrower shall, in addition to the requirements of paragraph (g) and (h) of Section 2.02 of this Loan Agreement, provide the following to the State upon request:

- (i) any and all financial information or operating data that may reasonably be requested by the State to comply with the Rule and
- (ii) audited financial statements, when and if prepared and available, prepared in accordance with generally accepted accounting principles as established by the Government Accounting Standards Board as in effect from time to time; provided, however, that if audited financial statements are not available, unaudited financial statements will be provided with audited financial statements to follow when and if available.

(m) 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.

(n) 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(a), (c) and (d) 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 or defeasance 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 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 (including the payment of any expenses of the Trustee associated with such prepayment), and

(c) any Loan Prepayment may only be made upon the prior written approval of the State. Loan Prepayments shall be applied first to any expenses of the Trustee and 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, or any earlier date specified in the Bond Indenture or the State Bonds, 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 and funds shown as sources of repayment of the Loan on the Special Conditions of Award attached to the Contract, and
- (iii) the Borrower's general fund including the general revenues of the Borrower, other funds which may be available for such purpose and 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 obligation of the Borrower to make payments hereunder is a full faith and credit of the Borrower.

(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 Section 6.3 (a) of 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 the form of such opinion if such variances are not to the material detriment of the interests of the holders of the State Bonds;
- b. counterparts of this Loan Agreement and the Contract duly executed and delivered by an authorized official of the Borrower;
- c. 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
- d. such other certificates, documents, opinions and information as the State, the Trustee, the Issuer, the Bond Counsel, 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 Section 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. The State acknowledges that the Borrower is not a party to the Bond Indenture and has no obligation to perform any of the State's covenants, agreements or obligations under the Bond Indenture or the State Bonds, and that the Borrower is only required to observe and perform its covenants, agreements and obligations under this Loan Agreement, the Contract and the Note and, if and when requested by the State, to cooperate with the State in order to enable the State to comply with the State's covenants, agreements or obligations under the Bond Indenture. 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 sold by the State to a third party or 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, sale or transfer of this Loan Agreement that the State deems to be necessary including any assignment, sale or transfer 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 Bond Counsel to the effect that such assignment will not adversely affect any 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 State 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)(viii) 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 or, if later, prior to the date on which any State Bonds that funded the Loan in whole or in part are subject to optional redemption without the requirement for payment of any redemption premium) 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, Trustee'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 NE
Salem, Oregon 97310
Attention: Manager, Regional Development Division
- (b) Trustee: First Interstate Bank of Oregon, N.A.
1300 SW Fifth Avenue
Portland, Oregon 97201
Attention: Corporate Trust Department
- (c) Issuer: State Treasurer
350 Winter Street NE
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 in a manner that is not in compliance with the Act and the Bond Indenture or 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

By: _____
Yvonne L. Addington, Manager
Regional Development Division

BORROWER

By: 
(Signature)

Title: GENERAL MANAGER

Date: _____

Date: 8-4-97

SPECIAL CONDITIONS OF AWARD
Roseburg Urban Sanitary Authority

1. No funds will be dispersed pending documentation of approval for all funding sources.
2. The interest rate on the bond loan portion of the award shall be a pass through of the actual cost of the bonds as determined by the department in a manner consistent with its obligations.
3. The loan shall be repaid from the assessment revenues of the Local Improvement District to be formed pursuant to this project. The loan shall be payable from the general fund of the Authority and shall be a full faith and credit obligation of the Authority which is payable from any taxes which the Authority may levy within the limitations of the Oregon Constitution.
4. Roseburg Urban Sanitary Authority must complete the formation of the Local Improvement District and show that all benefitted property owners are participating. A copy of the Local Improvement District establishment and assessment calculations must be submitted to the Economic Development Department prior to processing of the first cash request and prior to any revenue bond which includes this project.
5. Two firms, Reddick Hydraulic Cylinder Company and Boyer Meat Company, will be required to sign First Source Hiring Agreements with Umpqua Training and Employment, Inc., prior to processing the first cash request. The contact for the First Source agreement is Cathy Halloran, PO Box 1429, Roseburg, (541) 672-7761.

PROJECT DESCRIPTION

Roseburg Urban Sanitary Authority

The Roseburg Urban Sanitary Authority will construct approximately 16,800 feet of gravity sewer line and 1,700 feet of pressure sewer line to serve the Diamond Lake Corridor area. This project complements efforts by the City of Roseburg to provide water service to the same area. The net result will provide water and sewer service to 374 acres of industrial zoned land.

SPECIAL PUBLIC WORKS FUND

Recipient: Roseburg Urban Sanitary Authority Project No. B98002

PROJECT BUDGET

Project Title: Diamond Lake Boulevard Sewer Extension

Activities	SPWF Grant	SPWF Loan	Interest Earnings	Federal Economic Development Administration and Local Improvement District	Total
1. Water System Improvements					
a.					
b.					
2. Sanitary Sewer Improvements	\$ 250,000	\$ 250,000	\$ 0	521,388	\$1,021,388
a.					
b.					
3. Storm Sewer Improvements					
a.					
b.					
4. Road and Bridge Improvements					
a.					
b.					
5. Public Transportation & Railroad Facility					
a.					
b.					
6. Contractual Services	0	0	0	256,672	256,672
a.					
b.					
7. a. Engineering/Architectural	XXXXXX	XXXXXX	0	52,498	52,498
b. Administration				306,416	306,416
c. Contingencies	0	0	2,500		
8. Other					
a. Land Acquisition and Clearance	0	0	0	72,000	72,000
b.					
c.					
9. Total all Expenses	\$ 250,000	\$ 250,000	\$ 2,500	1,208,974	\$1,711,474

DESCRIPTION OF THE LOAN

1. Loan Closing Date: October 15, 1997
2. Name and Address of Borrower: Roseburg Urban Sanitary Authority
PO Box 1185
Roseburg, OR 97470
3. Cost of the Project: \$1,708,974
4. Estimated Completion Date of Project: February 1, 1997
5. Principal Amount of Loan: \$250,000
6. Interest Rate: 6% (six percent)
7. Optional Loan Prepayment Date: December 1, 2005
8. Prepayment Premium:

Redemption Dates	Redemption Prices
December 1, 2005 through November 30, 2006	102%
December 1, 2006 through November 30, 2007	101%
December 1, 2007 and thereafter	100%

9. Authorized Officers of Borrower: Chair
Manager

LOAN AMORTIZATION SCHEDULE
 SPECIAL PUBLIC WORKS FUND
 *****ANNUAL PAYMENT*****

EXHIBIT D

FILE NUMBER:		PRINCIPAL AMOUNT:	\$250,000	
MUNICIPALITY:	Roseburg Urban Sanitary Authority	INTEREST RATE:	6.00%	(estimate)
PROJECT:	Diamond Lake Boulevard	LOAN TERM IN YEARS:	20	
		CLOSING DATE:	01-Sep-97	
		TRUE INTEREST COST (TIC):	0.00000%	
		NET INTEREST COST (NIC):	5.25950%	
		WEIGHTED AVERAGE MATURITY:	12.51325	

YEAR	PAYMENT DATE	PAYMENT	INTEREST	PRINCIPAL	CUMULATIVE INTEREST	CUMULATIVE PRINCIPAL	UNPAID BALANCE	PERIODS
1999	01-Dec-98	22,628.04	16,236.04	6,392.00	16,236.04	6,392.00	243,608.00	1.3333
2000	01-Dec-99	18,982.00	12,532.00	6,450.00	28,768.04	12,842.00	237,158.00	2.3333
2001	01-Dec-2000	18,767.00	12,255.00	6,512.00	41,023.04	19,354.00	230,646.00	3.3333
2002	01-Dec-2001	18,548.00	11,969.00	6,579.00	52,992.04	25,933.00	224,067.00	4.3333
2003	01-Dec-2002	23,322.00	11,672.00	11,650.00	64,664.04	37,583.00	212,417.00	5.3333
2004	01-Dec-2003	22,862.00	11,136.00	11,726.00	75,800.04	49,309.00	200,691.00	6.3333
2005	01-Dec-2004	22,391.00	10,584.00	11,807.00	86,384.04	61,116.00	188,884.00	7.3333
2006	01-Dec-2005	21,911.00	10,018.00	11,893.00	96,402.04	73,009.00	176,991.00	8.3333
2007	01-Dec-2006	21,422.00	9,436.00	11,986.00	105,838.04	84,995.00	165,005.00	9.3333
2008	01-Dec-2007	20,928.00	8,843.00	12,085.00	114,681.04	97,080.00	152,920.00	10.3333
2009	01-Dec-2008	20,422.00	8,232.00	12,190.00	122,913.04	109,270.00	140,730.00	11.3333
2010	01-Dec-2009	19,912.00	7,610.00	12,302.00	130,523.04	121,572.00	128,428.00	12.3333
2011	01-Dec-2010	19,393.00	6,970.00	12,423.00	137,493.04	133,995.00	116,005.00	13.3333
2012	01-Dec-2011	18,868.00	6,317.00	12,551.00	143,810.04	146,546.00	103,454.00	14.3333
2013	01-Dec-2012	18,337.00	5,651.00	12,686.00	149,461.04	159,232.00	90,768.00	15.3333
2014	01-Dec-2013	22,801.00	4,972.00	17,829.00	154,433.04	177,061.00	72,939.00	16.3333
2015	01-Dec-2014	21,992.00	4,010.00	17,982.00	158,443.04	195,043.00	54,957.00	17.3333
2016	01-Dec-2015	21,173.50	3,030.50	18,143.00	161,473.54	213,186.00	36,814.00	18.3333
2017	01-Dec-2016	20,349.50	2,033.50	18,316.00	163,507.04	231,502.00	18,498.00	19.3333
2018	01-Dec-2017	19,524.50	1,026.50	18,498.00	164,533.54	250,000.00	0.00	20.3333

Oregon Special Public Works Funding Program
 Water/Wastewater Financing Program
 Progress Report and Cash Request Form

Community Development Programs (OCD)
 Oregon Economic Development Department
 775 Summer Street NE, Salem, OR 97310
 Telephone: 378-3732

Project Title _____
 Project # _____
 Date _____ 10 _____
 Program Reporting Period _____

Request is for SPWF Loan SPWF Grant Cash Request # _____
 W/W Loan W/W Grant

Grant	Total Project Expenditure Report					Cash Request				
	A. Loan	C.	D.	E.	F. Total	G.	H. Cash Request	I. Prior Request	J. Approved Budget	K. Balance
	\$	\$	\$	\$	\$	1. Water Improvements	\$	\$	\$	\$
						a.				
						b.				
						2. Sanitary Sewer Improvements				
						a.				
						b.				
						3. Storm Sewer Improvements				
						a.				
						b.				
						4. Road and Bridge Improvements				
						a.				
						b.				
						5. Public Trans. and R.R. Fac.				
						a.				
						b.				
						6. Contractual Services				
						a.				
						b.				
						7. a. Engineering/Architectural				
						b. Administration				
						c. Contingencies				
						8. Other				
						a.				
						b.				
						c.				
	\$	\$	\$	\$	\$	9. Total	\$	\$	\$	\$

On Hand _____
 Please show the amount of funds currently on hand (total prior monies received minus total expenditures) \$ _____
 If you have funds on hand, attach information supporting the request for additional funds.

Progress on Activities

Recipient _____ Project # _____
Project Name _____ Report Period _____ to _____

A. Project Goals (report for every cash request)
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.

Proposed Accomplishments _____ Results Achieved _____

B. Construction Employment
In the space below, show the cumulative total number of hours construction employees worked on the infrastructure project. Also show cumulative construction man hours worked on any private business projects served by the infrastructure project.

Business Projects	Infrastructure Projects
1. Firm Name _____	Hours Worked _____
Hours Worked _____	
2. Firm Name _____	
Hours Worked _____	
3. Firm Name _____	
Hours Worked _____	

C. Permanent Jobs (for SPWF projects only)
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 full-time 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: We certify that the data is correct and that the amount of any grant request is not in excess of current needs. (TWO SIGNATURES REQUIRED)

Authorized Signature/Title _____ Date _____
Authorized Signature/Title _____ Date _____
Contact Person _____ Phone # _____

Prepare & Mail Check To:

Send Wire Transfers To:
Name of Payee: _____
Name of Receiving Bank: _____
Location or Branch Name of Bank: _____
Bank Address: _____
Bank Account Number: _____

For State of Oregon Use

Total Amount Approved _____

Project Manager	Date		
Amount	Description	Fund	Cost Center
\$ _____	_____	_____	_____
\$ _____	_____	_____	_____
\$ _____	_____	_____	_____
\$ _____	_____	_____	_____
\$ _____	_____	_____	_____
\$ _____	_____	_____	_____
\$ _____	_____	_____	_____
\$ _____	_____	_____	_____
\$ _____	_____	_____	_____
_____	Date		
_____	Date		
_____	Date		

PROMISSORY NOTE

ECONOMIC DEVELOPMENT DEPARTMENT
STATE OF OREGON

\$250,000

AUGUST 4, 1997
ROSEBURG, Oregon

For value received, Roseburg Urban Sanitary Authority (hereinafter "Borrower"), promises to pay to the Economic Development Department of the State of Oregon, having its principal office at 775 Summer Street NE, Salem, Oregon 97310 (hereinafter "State"), or order, the principal sum of two hundred fifty thousand dollars (\$250,000) plus interest from the date or dates specified in paragraph (b) below, on the unpaid balance at the initial interest rate of six percent (6%) 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.
- (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 Trustee 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 due under this Note are payable at the offices of the State, 775 Summer Street NE, 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 4th day of AUGUST, 1997

BORROWER

By: _____

Title: _____

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.

ENVIRONMENTAL AND NATURAL RESOURCE AGENCIES

The following list is provided in compliance with ORS 279.318. The federal, state, and local agencies listed have enacted ordinances or regulations relating to environmental pollution or the preservation 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