



RESOLUTION 2008-039

RESOLUTION OF THE CITY OF SHERWOOD
AUTHORIZING A LOAN FROM THE SAFE DRINKING WATER REVOLVING LOAN FUND
BY ENTERING INTO A LOAN CONTRACT
WITH THE OREGON ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT

The City Council (the "Governing Body") of the City of Sherwood (the "Borrower") finds:

A. The Borrower is a community or nonprofit non-community water system as defined in Oregon Administrative Rule 123-049-0010.

B. The Safe Drinking Water Act Amendments of 1996, Pub.L. 104-182, as amended (the "Act"), authorize any community or nonprofit non-community water system to file an application with the Oregon Economic and Community Development Department ("the Department") to obtain financial assistance from the Safe Drinking Water Revolving Loan Fund.

C. The Borrower has filed an application with the Department to obtain financial assistance for a "drinking water project" within the meaning of the Act.

D. The Department has approved the Borrower's application for financial assistance from the Safe Drinking Water Revolving Loan Fund pursuant to the Act.

E. The Borrower is required, as a prerequisite to the receipt of financial assistance from the Department, to enter into a Financial Assistance Award Contract and a Loan Agreement with the Department in substantially the form attached hereto as Exhibits "A" and "B."

F. The project described in Exhibit "A" to the Loan Agreement (the "Project") is a "safe drinking water project" within the meaning of the Act which is needed by and is in the public interest of the Borrower.

G. Notice relating to the Borrower's consideration of the adoption of this Resolution was published in full accordance with the City of Sherwood's charter and laws for public notification.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Sherwood as follows:

1. Loan Authorized. The Governing Body authorizes the City Manager to execute the Financial Assistance Award Contract, Loan Agreement, the Promissory Note attached as Exhibit "G" 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 Borrower is not in excess of \$6,000,000 and the interest rate on such loan is not in excess of 3.55 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 Borrower shall be payable from the sources described in Section 2.05 of the Loan Agreement which include:

- a. any sources of funds that are legally available to the Borrower,
- b. the revenues, if any, of the Project, including special assessment revenues, if any, and
- c. the Borrower's general fund including the general revenues of the Borrower or other funds which may be available. The obligation of the Borrower to make payments pursuant to the Loan Agreement is a full faith and credit obligation of the Borrower that is not subject to annual appropriation.

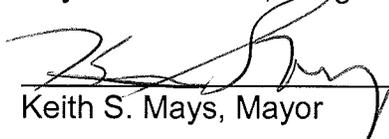
3. Additional Documents. The City Manager is hereby authorized to enter into any agreements and to execute any documents or certificates which may be required to obtain financial assistance from the Department for the Project pursuant to the Financial Assistance Award Contract and the Loan Agreement.

4. Tax-Exempt Status. The Borrower covenants not to take any action or omit to take any action if the taking or omission would cause interest paid by the Borrower pursuant to the Loan Agreement not to qualify for the exclusion from gross income provided by Section 103(a) of the Internal Revenue Code of 1986, as amended. The City Manager of the Borrower may enter into covenants on behalf of the Borrower to protect the tax-exempt status of the interest paid by the Borrower 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 or their bond counsel to protect the tax-exempt status of such interest.

5. Declaration of Emergency. The City of Sherwood declares than an emergency exists in order that there be no delay in financing the Project as provided in this Resolution. Therefore, this Resolution shall be in force and effect from and after passage by the Governing Body.

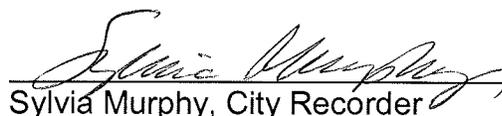
DATED this 20th day of May, 2008.

City of Sherwood, Oregon



Keith S. Mays, Mayor

ATTEST:



Sylvia Murphy, City Recorder

STATE OF OREGON
SAFE DRINKING WATER REVOLVING LOAN FUND
FINANCIAL ASSISTANCE AWARD CONTRACT

This Contract, number S08004, dated as of the last signature by the parties, is made and entered into by and between the STATE OF OREGON, ACTING BY AND THROUGH ITS ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT ("State") and the City of Sherwood ("Borrower").

SECTION 1
CERTAIN DEFINITIONS

As used in this Contract, the following terms have the meanings set forth below, unless the context requires otherwise:

"Act" means Safe Drinking Water Act Amendments of 1996, Public Law 104-182, as amended.

"Contract" means this contract between the State and the Borrower, including any exhibits, schedules and attachments thereto, as amended from time to time.

"Costs of the Project" means all costs of acquiring and constructing the Project, including any financing costs properly allocable to the Project, as further described in the Loan Agreement and set out in the approved Project budget in Exhibit B to the Loan Agreement.

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

"Event of Default" means any of the events described in paragraphs A through C of Section 7 of this Contract.

"Loan" has the meaning ascribed thereto in Section 2(A) of this Contract.

"Loan Agreement" means that certain loan agreement, substantially in the form of Exhibit 1 hereto, dated as of the date hereof and entered into between the State and the Borrower, as such agreement may from time to time be amended and/or restated.

"Loan Closing Date" has the meaning ascribed thereto in the Loan Agreement.

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

"Project Completion Date" means the date by which the Borrower must complete the Project and submit to the State a notice of substantial completion executed by the Project engineer or architect.

"Safe Drinking Water Fund" or "Fund" means the Safe Drinking Water Revolving Loan Fund created pursuant to ORS 285A.213 and managed by the State in accordance with OAR 123-049-0005 through 123-049-0050.

SECTION 2
FINANCIAL AWARD

A. Amount of Loan. Subject to the terms and conditions of this Contract and the Loan Agreement, the State agrees to make to the Borrower, and the Borrower agrees to accept from the State, a non-revolving loan in the maximum aggregate principal amount of \$6,000,000 (the "Loan").

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

C. Disbursements. The Borrower must submit disbursement requests for the Loan on a form provided by State. The State's obligation to make, and Borrower's right to request, disbursements hereunder shall terminate thirty-six (36) months after the date Loan proceeds are first disbursed but in any event no later than forty-two (42) months after the Loan Closing Date.

SECTION 3 USE OF AWARD

A. Eligible Activities. The use of the Loan is expressly limited to the Project activities described in Exhibit A of the Loan Agreement. The use of these funds is also expressly subject to the Special Conditions set out in Exhibit D of the Loan Agreement.

B. Ineligible Activities. No part of the Loan shall be used for:

1. Dams or rehabilitation of dams;
2. Purchase of water rights, except if the water rights are owned by a system that is being purchased through a consolidation;
3. Reservoirs, except for finished water reservoirs and those reservoirs that are part of the treatment process;
4. Laboratory fees for monitoring;
5. Administrative costs;
6. Costs incurred prior to official award of funds by State unless prior approval is obtained;
7. Purchase of equipment, such as motor vehicles, not directly appurtenant to the Project;
8. Purchase of off-site property for Project-related purposes such as wetland mitigation or other uses not directly related to the Project;
9. Operation and maintenance expenses; or
10. Improvements made to any part of a system that is or will be owned and operated by an ineligible water system.

C. Unexpended Funds. Any portion of the Loan remaining after termination of this Contract or termination pursuant to the Loan Agreement or ninety (90) days after the Project Completion Date shall be returned to the Fund. Unexpended Loan proceeds shall be applied to pay unpaid interest accrued to the date of payment, then to reduce the principal amount of the Loan.

SECTION 4 REPRESENTATIONS OF THE STATE

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

SECTION 5 REPRESENTATIONS OF THE BORROWER

The Borrower represents and warrants to the State that:

A. Costs of the Project. A reasonable estimate of the Costs of the Project is \$10,080,000.

B. Binding Obligation. This Contract has been duly authorized, executed and delivered by the Borrower and constitutes the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms.

SECTION 6
COVENANTS OF BORROWER

The Borrower covenants as follows and understands that the requirements of the covenants may only be waived or amended by a written instrument executed by the State:

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 the following, as applicable:

1. State procurement regulations found in the Oregon Public Contracting Code, ORS Chapters 279A, 279B and 279C, as applicable.
2. State labor standards and wage rates found in ORS Chapter 279C.
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 and regulations enacted by agencies listed in Exhibit 2 hereto.
7. Oregon Administrative Rules, Chapter 123, Division 49, as amended from time to time at the discretion of the State.
8. State municipal bonding requirements found in the Act and in ORS Chapters 280, 284, 286A, and 287A.
9. Federal Cross Cutters listed in Exhibit 3 hereto.
10. Safe Drinking Water Revolving Loan Fund: Program Guidelines & Applicant's Handbook, as amended from time to time.

B. Affirmative Steps to Recruit Minority and Women Business Enterprises (MBE/WBE) and Small Businesses in Rural Areas (SBRA). The Borrower and prime contractor must engage in outreach, recruitment or other race/gender-neutral activities as a part of their good faith efforts to achieve a fair share of contracts by minority and women owned businesses as well as small businesses in rural areas. The Borrower and prime contractor may select various outreach, recruitment or other race/gender neutral activities for a particular contract but, at a minimum, the Borrower or prime contractor must take six steps. If the Borrower is a local government or Indian Tribe, the six affirmative steps are to:

1. Include qualified MBEs, WBEs and SBRA's on solicitation lists;
2. Assure that MBEs, WBEs and SBRA's are solicited whenever they are potential sources;
3. Divide total requirements, when economically feasible, into small tasks or quantities to permit maximum participation of MBEs, WBEs and SBRA's;
4. Establish delivery schedules, where the requirements of the work permit, which will encourage participation by MBEs, WBEs and SBRA's;
5. Use the services and assistance of the Small Business Administration and the Minority Business Development Agency, U.S. Department of Commerce, as appropriate; and
6. If the prime contractor awards subcontracts/procurement, require the contractor to take the affirmative steps in numbers 1-5 above.

C. Drawings. The Borrower shall obtain as-built drawings for all facilities constructed with the proceeds of the Loan. The Borrower shall obtain certification of completion per the as-built drawings from the Project engineer or architect, as applicable.

D. Operation and Maintenance of the Project. By the Project Completion Date, the Borrower will have a program, documented to the satisfaction of the State, for the on-going maintenance, operation and replacement, at Borrower's sole expense, of the public works service system, if any, of which the Project is a part. 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.

E. Signs and Notifications. Borrower shall post a sign at the Project site or, if more than one site is included in the Project, at a site visible to the general public, acknowledging the participation of the State in the financing of the Project. The sign shall be installed prior to construction and shall be maintained for the duration of the construction period. The State will provide the sign to Borrower upon request.

F. Creation of Construction Account. The Borrower shall establish and maintain a segregated construction account. The Loan proceeds (as and when the Loan proceeds are disbursed by the State to the Borrower) shall be deposited in this account. Earnings on this account shall be credited to this account. Moneys in this account shall only be used to pay the Costs of the Project.

G. Insurance. Except as may be provided in Exhibit D to the Loan Agreement, 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 prepay the outstanding balance of the Loan in accordance with Section 2.04 of the Loan Agreement unless the State agrees in writing that the insurance proceeds shall be used to rebuild the Project.

H. Economic Development Benefit Data. The State may request that the Borrower submit specific requested data on the economic development benefits of the Project, from the date hereof until six (6) years after the Project Completion Date. Upon such request by the State, the Borrower shall, at the Borrower's expense, prepare and file the requested data within the time specified in the request. Data shall document specific requested information such as any new direct permanent or retained jobs resulting from the Project and other information to evaluate the success and economic impact of the Project.

I. Indemnity. To the extent permitted by law, the Borrower shall (subject to ORS chapter 180) defend, save, hold harmless and indemnify the State and its officers, employees and agents from and against all claims, suits, actions, losses, damages, liabilities, costs and expenses of any nature resulting from or arising out of or relating to the activities of Borrower or its officers, employees, contractors or agents under this Contract or with respect to the Project.

J. Sales, Leases and Encumbrances. Borrower may not sell, lease, exchange, transfer or otherwise dispose of any property constituting a part of the Project or any interest therein unless it is worn out, obsolete or, in the reasonable business judgment of the Borrower, no longer useful in the operation of the Project. Except as may be provided in Exhibit D to the Loan Agreement, proceeds of such sale, lease, exchange, transfer or other disposition which are not used to replace the property shall be paid to the State and shall be applied to prepay the outstanding balance of the Loan in accordance with Section 2.04 of the Loan Agreement.

K. Condemnation Proceeds. Except as may be provided in the Exhibit D to the Loan Agreement, in the event the Project, or any portion thereof is condemned, any condemnation proceeds shall be paid to the State and shall be applied to prepay the outstanding balance of the Loan in accordance with Section 2.04 of the Loan Agreement.

L. Planning and Preliminary Engineering Loan. In the case of a planning and preliminary engineering Loan, the Borrower shall obtain a review of and comments on draft reports and documents by the Health Division, Oregon Human Services Department (“Health Division”), before the Borrower accepts a final report, and if such a Loan is for a water system master plan or pilot study for water treatment or corrosion control study, the draft report must be accepted by the Health Division.

M. Proceeding with Project. The Borrower shall proceed expeditiously to complete the Project or any segment or phase of the Project in accordance with the Work Plan in Exhibit B (Project Budget). State may extend the deadline for Borrower to complete any given segment or phase of the Project provided in Exhibit B (“Milestone Deadline”) only by written notice delivered to Borrower and signed by a person with authority to contractually bind the State. Such extension of a Milestone Deadline shall not be a waiver by the State of its right to enforce compliance with any remaining Milestone Deadline. In no event shall any extension of time for a Milestone Deadline exceed or extend the Project Completion Date.

SECTION 7 DEFAULT

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

A. Any representation with respect to current or historical information made to the State herein or in any other pertinent documents, certificates and reports relied upon by the State in gauging the progress of the Project, or compliance with the requirements of the Act and performance of duties by the Borrower is untrue in any material respect; or

B. Except as provided in A or C of this Section, the Borrower fails to perform or observe any of its covenants or agreements contained herein and fails to correct such deficiencies within thirty (30) days of notice from the State of such deficiencies, or such longer period as the State may authorize in its sole discretion; or

C. The occurrence of an Event of Default under the Loan Agreement or any of the Loan Documents (as defined in the Loan Agreement);

thereupon, and in each such case, the State, upon notice to the Borrower, may pursue any remedy legally available, including but not limited to the remedies set forth in Section 8.

SECTION 8 REMEDIES

Upon the occurrence of an Event of Default under this Contract, the State may pursue any or all of the remedies set forth herein or in the Loan Agreement or any of the Loan Documents and any other remedies available at law or in equity. Such remedies may include, but are not limited to, termination of the State’s obligations to make the Loan or any disbursement under the Contract and/or Loan Agreement, acceleration of the Loan, declaration of the Borrower’s ineligibility to receive future awards and the withholding pursuant to ORS 285A.213(6) and OAR 123-049-0040 of other State funds due the Borrower. The remedies provided herein are cumulative and not exclusive of any remedies provided by law.

SECTION 9 MISCELLANEOUS

A. No Implied Waiver. 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.

H. No Third Party Beneficiaries. The State and the Borrower are the only parties to this Contract and are the only parties entitled to enforce its terms. The parties agree that the Borrower's performance under this Contract is solely for the benefit of the State. Nothing in this Contract gives, is intended to give, or shall be construed to give or provide, any benefit or right, whether directly, indirectly or otherwise, to third persons any greater than the rights and benefits enjoyed by the general public unless such third persons are individually identified by name herein and expressly described as intended beneficiaries of the terms of this Contract.

This Contract is effective on the date it is fully executed and approved as required by applicable law. The Borrower, by the signature below of its Authorized Officer (as defined in the Loan Agreement), acknowledges that it has read this Contract, understands it, and agrees to be bound by its terms and conditions.



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



CITY OF SHERWOOD

By: _____
Laird Bryan, Operations Manager
Community Development Division

By: _____
Ross E. Shultz, City Manager

Date: _____

Date: _____

APPROVED AS TO LEGAL SUFFICIENCY IN ACCORDANCE WITH ORS 291.047:

/s/ Lynn T. Nagasako, AAG (email dated 04/14/2008)
Lynn T. Nagasako, Sr. Assistant Attorney General

Date: _____ April 14, 2008

Exhibit 1: Form of Loan Agreement
Exhibit 2: Environmental and Natural Resources Agencies
Exhibit 3: Federal Cross-Cutters

LOAN AGREEMENT

between

STATE OF OREGON

acting by and through its

ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT

and

CITY OF SHERWOOD

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I	
DEFINITIONS	
SECTION 1.01. Definitions	4
SECTION 1.02. General Rules	5
ARTICLE II	
LOAN TO BORROWER	
SECTION 2.01. Loan; Disbursements; Use of Proceeds.....	5
SECTION 2.02. Loan Payment.....	6
SECTION 2.03. Unconditional Obligations	6
SECTION 2.04. Loan Prepayments	7
SECTION 2.05. Sources of Payment of Borrower’s Obligations.....	7
SECTION 2.06. Disclaimer of Warranties; Limitation of Liability; Indemnification.....	7
ARTICLE III	
REPRESENTATIONS, WARRANTIES AND COVENANTS OF BORROWER	
SECTION 3.01. Representations and Warranties of Borrower	8
SECTION 3.02. Particular Covenants of the Borrower	10
ARTICLE IV	
CONDITIONS PRECEDENT	
SECTION 4.01. Loan Closing	12
SECTION 4.02. Conditions to Disbursements	13
ARTICLE V	
ASSIGNMENT	
SECTION 5.01. Assignment by Borrower	14
ARTICLE VI	
DEFAULTS AND REMEDIES	
SECTION 6.01. Event of Default	14
SECTION 6.02. Notice of Default.....	15
SECTION 6.03. Remedies on Default	15
SECTION 6.04. Attorney’s Fees and Other Expenses	15
SECTION 6.05. Application of Moneys.....	15
SECTION 6.06. No Remedy Exclusive; Waiver; Notice	15
SECTION 6.07. Default by the State.....	15

**ARTICLE VII
MISCELLANEOUS**

SECTION 7.01. Notices.....16
SECTION 7.02. Successors and Assigns.....16
SECTION 7.03. Severability16
SECTION 7.04. Amendments, Supplements and Modifications.....16
SECTION 7.05. Execution in Counterparts.....16
SECTION 7.06. No Construction against Drafter16
SECTION 7.07. Applicable Law16
SECTION 7.08. Consents and Approvals.....17
SECTION 7.09. Merger; No Waiver17
SECTION 7.10. No Third Party Beneficiaries.....17

EXHIBITS

- Exhibit A: Project Description
- Exhibit B: Project Budget
- Exhibit C: Description of the Loan
- Exhibit D: Special Conditions
- Exhibit E: Form of Opinion of Counsel
- Exhibit F: Form of Promissory Note

THIS LOAN AGREEMENT, dated as of the last signature by the parties, is made and entered into between the STATE OF OREGON, ACTING BY AND THROUGH ITS ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT (the "State") and the Borrower (as defined below).

ARTICLE I
DEFINITIONS

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

"Act" means Safe Drinking Water Act Amendments of 1996, Public Law 104-182, as amended.

"Authorized Officer" means, in the case of the Borrower, the person whose name and/or title is set forth in Exhibit C hereto or such other person authorized pursuant to a resolution, ordinance, order or other authorizing document of the governing body of the Borrower under Borrower's organizational documents 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 and whose name and/or title is furnished in writing to the State.

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

"Business Day" means any day other than a Saturday, Sunday or legal holiday or a day on which banking institutions in Salem, Oregon are closed.

"Contract" means that certain financial assistance award contract with the reference number of S08004 dated as of the date hereof between the State and Borrower, as amended from time to time.

"Costs of the Project" means those costs that are (a) reasonable, necessary and directly related to a "safe drinking water project" within the meaning of ORS 285A.213, and OAR 123-049-0010 through 123-049-0020, including any financing costs properly allocable to the Project and preliminary costs such as engineering and architectural reports, studies, surveys, soil tests, designs, plans, working drawings and specifications that are necessary for the construction of the Project, and (b) permitted by generally accepted accounting principles to be costs of such Project. The term "Costs of the Project" does not include any ineligible activities listed in Section 3.B. of the Contract.

"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 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 6.01 hereof.

"First Payment Date" means the December 1 following the earlier of (a) the Project Completion Date or (b) the date availability hereunder is terminated pursuant to Section 2.01(b).

"Loan" means the non-revolving loan made by the State to the Borrower to finance the Costs of the Project pursuant to this Loan Agreement.

"Loan Agreement" means this loan agreement, including any exhibits, schedules or attachments hereto, as it may be supplemented, modified or amended from time to time in accordance with the terms hereof.

"Loan Closing Date" means the date on which all conditions to the Loan closing have been satisfied (or waived by the State) and the Loan proceeds are available to be disbursed to Borrower in accordance with Section 2.01(b) hereof.

"Loan Closing Deadline" means the date, as set out in Exhibit C hereto, by which all conditions precedent to Loan closing must be satisfied (or waived by the State).

"Loan Documents" means the Loan Agreement and Note and any agreements, instrument and certificates required to be executed and delivered hereunder.

“Loan Prepayment” means any amount paid by the Borrower in excess of the amount required to be paid as Loan Repayment.

“Loan Repayment” means the scheduled payments of principal and interest required to be made by the Borrower pursuant to the Note.

“Maturity Date” means the nineteenth (19th) anniversary of the First Payment Date, on which date the outstanding balance of the Loan must be paid in full.

“Municipality” means any entity described in ORS 285B.410(8).

“Net Revenues” means the revenues of Borrower’s System which remain after payment of operations and maintenance costs of the System.

“Note” means that certain promissory note, substantially in the form of Exhibit F hereto, executed by the Borrower in favor of the State, as it may from time to time be amended, extended, renewed or restated.

“Project” means the project described in Exhibit A hereto.

“Project Closeout Date” means the date by which the Borrower must submit the Project completion report and certification described in Section 3.02(d) of the Loan Agreement.

“Project Completion Date” means the date by which the Borrower must complete the Project and submit to the State a notice of substantial completion executed by the Project engineer or architect.

“Safe Drinking Water Fund” or “Fund” means the Safe Drinking Water Revolving Loan Fund established by ORS 285A.213 and managed by the State pursuant to OAR 123-049-0005 through 123-049-0050.

“System” means the community water system or nonprofit non-community water system, as described in the Act and OAR 123-049-0010, 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 the Borrower’s “System” shall be ignored to the extent that the Project is not a component of a utility system or systems.

SECTION 1.02. General Rules. 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, partnerships, agencies and districts. Words importing one gender shall include any other gender.

ARTICLE II LOAN TO BORROWER

SECTION 2.01. Loan; Disbursements; Use of Proceeds.

(a) Loan. Subject to and in accordance with the terms and conditions hereof, in particular Sections 4.01 and 4.02 hereof, the State hereby agrees to make and disburse to the Borrower, and the Borrower agrees to borrow and accept from the State, the Loan which shall not exceed the lesser of (i) the maximum aggregate amount of the Loan set forth on Exhibit C hereof or (ii) the Costs of the Project.

(b) Disbursements. Subject to Sections 4.01 and 4.02, the proceeds of the Loan shall be disbursed to the Borrower on an expense reimbursement or costs incurred basis upon receipt by the State of a disbursement request executed by the Borrower on a form provided by State; disbursement requests shall not be made by Borrower, and disbursements will not be made by State, more than thirty-six (36) months after the date Loan funds are first disbursed but in any event no later than forty-two (42) months after the Loan Closing Date.

(c) Use of Proceeds. The Borrower shall use the proceeds of the Loan strictly in accordance with Section 3.02(a) hereof and subject to and in compliance with the Special Conditions set forth in Exhibit D.

SECTION 2.02. Loan Payment.

(a) Promise to Pay. The Borrower hereby covenants and agrees to repay the Loan in accordance with the terms hereof and the Note and Loan Documents.

(b) Principal Amortization. Commencing on the First Payment Date and thereafter on December 1 of each year, the Borrower shall make level installment payments of principal and interest, which shall be calculated based on the assumption that the outstanding principal balance on the First Payment Date accrued interest for a full year prior to the First Payment Date; and each such installment to be in an amount sufficient to pay the interest accrued to the date of payment and so much of the principal as will fully amortize the principal balance of the Note by the Maturity Date; provided, however, that the first such installment payment shall be adjusted to include actual interest accrued to the First Payment Date.

(c) Different Amortization Schedule. Notwithstanding Section 2.02(b) above, the State and the Borrower may, on or prior to the First Payment Date, agree to a payment schedule different from the payment schedule described in Section 2.02(b). In such case the Borrower shall execute and deliver to the State a replacement Note which shall have attached thereto the agreed upon payment schedule as "Schedule 1 – Payment Schedule."

(d) Replacement Note. The State may, at its option, require the Borrower to execute a replacement Note with a payment schedule attached as "Schedule 1 – Payment Schedule" showing the principal amortization described in Section 2.02(b) above.

(e) Note with Schedule. In the event a "Schedule 1 – Payment Schedule" is attached to the Note pursuant to Section 2.02 (c) or 2.02(d), the third paragraph of the Note shall read as follows:

"Commencing on the First Payment Date and thereafter on December 1 of each year, the Borrower shall pay all unpaid interest accrued to the date of payment and make the payments of principal as set forth in "Schedule 1 – Payment Schedule" (which is attached to this Note) until the Maturity Date, at which time the entire outstanding principal balance and all accrued unpaid interest shall be due and payable in full."

SECTION 2.03. Unconditional Obligations. Loan Repayments and all other payments required under the Loan Documents are payable solely from the sources of repayment described in Section 2.05 hereof, and the obligation of the Borrower to make the Loan Repayments and all other payments required under the Loan Documents and the obligation to perform and observe the other duties, covenants, obligations and agreements on its part to be performed or observed contained therein shall be absolute and unconditional. Payments hereunder and under any of the other Loan Documents shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, or any payments under this Loan Agreement or a Note 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 consideration, 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 State 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 any rights of set off, recoupment, abatement or counterclaim that the Borrower might otherwise have against the State, or any other party or parties; provided, however, that payments hereunder shall not constitute a waiver of any such rights.

SECTION 2.04. Loan Prepayments.

(a) Mandatory Prepayment. The Borrower shall prepay the outstanding balance of the Loan as required by the terms of the Loan Documents.

(b) Optional Prepayment. The Borrower may make Loan Prepayments, without premium or penalty, upon not less than ninety (90) days prior written notice to the State; provided, however, that each Loan Prepayment shall include payment of the accrued interest on the amount prepaid, and no Loan Prepayment shall be made without the prior written approval of the State.

(c) General. Loan Repayments and Loan Prepayments shall be applied first to costs and expenses of the State, then to accrued interest (in the case of a Loan Prepayment, on the portion of the Loan prepaid), and finally to principal payment(s) on the Loan. In the case of a Loan Prepayment that does not prepay all of the principal of the Loan, the State shall determine, in its sole discretion, the method by which such Loan Prepayment shall be applied to the outstanding principal payments.

SECTION 2.05. Sources of Payment of Borrower's Obligations.

(a) The State and the Borrower agree that the amounts payable by the Borrower under this Loan Agreement and any of the other Loan Documents, including, without limitation, the amounts payable by the Borrower pursuant to Sections 2.02, 2.04, 2.06 and 6.04 hereof, are payable from the sources of repayment described in paragraph (b) of this Section 2.05; provided however that nothing herein shall be deemed to prevent the Borrower from paying the amounts payable under this Loan Agreement and the other Loan Documents from any other legally available source.

(b) The amounts payable by the Borrower under this Loan Agreement and the other Loan Documents are payable from the Borrower's general fund and other sources, if any, identified on Exhibit D hereof.

(c) The Borrower expressly acknowledges that if the Borrower defaults on payments due under this Loan Agreement or any of the other Loan Documents, the State of Oregon may, pursuant to ORS 285A.213(6) and OAR 123-049-0040, withhold all or a portion of any amounts otherwise due to the Borrower and apply said amounts to payments due under this Loan Agreement and the other Loan Documents to the fullest extent permitted by law.

SECTION 2.06. Disclaimer of Warranties; Limitation of Liability; Indemnification. The Borrower acknowledges and agrees that:

(a) the State does not make 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;

(b) in no event shall the State or any of its officers, employees, or agents be liable or responsible for any direct, indirect, incidental, special or consequential damages in connection with or arising out of this Loan Agreement, any of the other Loan Documents 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 in this Loan Agreement; and

(c) to the extent permitted by law, the Borrower shall (subject to ORS chapter 180) defend, indemnify, save and hold harmless the State and its officers, employees and agents against any and all claims, suits, actions, 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 officers, employees, agents or subcontractors pursuant to the terms of this Loan Agreement or any of the other Loan Documents, provided, however, that the provisions of this paragraph (c) 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.

ARTICLE III
REPRESENTATIONS, WARRANTIES AND COVENANTS OF BORROWER

SECTION 3.01. Representations and Warranties of Borrower. The Borrower represents and warrants for the benefit of the State as follows:

(a) Organization and Authority.

- (i) The Borrower is a Municipality and owns a community water system as defined in the Act and OAR 123-049-0010. Borrower has full power and authority to transact the business in which it is engaged, and full power, authority, and legal right to make this Agreement and the Note and to incur and perform its obligations hereunder and under the other Loan Documents.
- (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 and the other Loan Documents.
- (iii) The Project is a project which the Borrower may undertake pursuant to Oregon law and the Act, including but not limited to 42 U.S.C. § 300j-12(a)(3), and for which the Borrower is authorized by law to borrow money.
- (iv) The making and performance by Borrower of this Loan Agreement and all Loan Documents required hereunder to be executed and delivered by Borrower and the transaction contemplated by this Agreement and the Loan Documents, including but not limited to the undertaking and completion of the Project by Borrower, have been authorized by all necessary action of Borrower duly and lawfully adopted in accordance with the laws of Oregon.
- (v) This Loan Agreement and all other Loan Documents required hereunder to be executed by Borrower have been duly authorized and 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 and the Loan Documents required hereunder to be executed by the State, this Loan Agreement and other Loan Documents required hereunder to be executed by the Borrower constitute the legal, valid and binding obligation of the Borrower in accordance with their terms, subject to the laws of bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally.
- (vi) Borrower's Contract and the Loan Agreement have been authorized by an ordinance, resolution or other authorizing document of the Borrower as appropriate under Borrower's organizational documents which was adopted in accordance with applicable state and local law including but not limited to publication, public hearing and prior notice, if required.

(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 and the other Loan Documents. Neither the Borrower's application for the Loan or the Borrower's representations in this Loan Agreement or any of the other Loan Documents 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, and the information contained in Exhibit A and Exhibit B and in Sections 2, 3, 4, 5 and 10 of Exhibit C is true and accurate in all respects.

(c) Pending Claim, Proceeding or Litigation. There is no known threatened or actual claim, proceeding or litigation materially adversely affecting Borrower, the Project, the System or the ability of Borrower to perform all of its duties and obligations under this Agreement and the other Loan Documents.

(d) Compliance with Existing Agreements, Etc. This Loan Agreement and the other Loan Documents and Borrower's performance of its obligations hereunder and thereunder will not result in a default, or the imposition of any lien, charge or encumbrance upon any of the property of Borrower, under any ordinance, resolution, agreement or instrument to which the Borrower is a party or by which the Borrower, its System, the Project or any of its property may be bound, nor will they violate any organic document or law or authority governing Borrower or any of its properties or operations, including but not limited to the System and the Project.

(e) No Defaults. No existing condition will cause Borrower to be in default hereunder upon execution of this Agreement or any of the Loan Documents or the disbursement of the Loan. Borrower has not violated or received notice of any alleged violation of any other agreement or instrument to which the Borrower is a party or by which the Borrower, its System, the Project or any of its property may be bound, which violation would materially adversely affect the Borrower, its property, including but not limited to the System and the Project, and its ability to perform its duties and obligations under this Agreement and the other Loan Documents.

(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 and the other Loan Documents or for the undertaking or completion of the Project and the financing 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 and the other Loan Documents or with the undertaking or completion of the Project and the financing 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 or any other Loan Document.

(g) Compliance with Law. The Borrower

- (i) is in compliance with all applicable laws, ordinances, and governmental rules and regulations (including but not limited to the federal cross-cutters listed in Exhibit 3 to the Contract and the requirements set forth in the Safe Drinking Water Revolving Loan Fund, Program Guidelines & Applicant's Handbook, February 2004, as amended from time to time) 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) The Project.

- (i) The Project is feasible, and there will be adequate funds available to complete the Project and to repay the Loan.
- (ii) The Borrower has been provided with a copy of the rules adopted by the State under ORS 285A.075 and 285A.213, and the Project is in compliance with such rules.

(iii) The term of the Loan is not in excess of the useful life of the Project.

(i) Costs of the Project. The Borrower certifies that the Costs of the Project, as listed in Exhibit B and Exhibit C hereto, (i) are a reasonable and accurate estimation and based upon a feasibility report and estimate stamped by a registered professional engineer or a licensed architect, as applicable, a copy of which shall be promptly provided to the State upon request, and (ii) are equal to or exceed the maximum principal amount of the Loan shown on Exhibit C. The Borrower further certifies that a professional engineer registered and in good standing in Oregon will be responsible for design and construction of the Project. Prior to Borrower's execution of a contract for engineering service, Borrower shall verify the engineer's registration and complaint history with the Oregon State Board of Examiners for Engineering and Land Surveying.

(j) Continuing Representations. The representations of the Borrower contained herein shall be true at the time of the Loan Closing Date and at all times during the term of this Loan Agreement.

SECTION 3.02. Particular Covenants of the Borrower.

(a) Use of Proceeds. The Borrower will apply the proceeds of the Loan to finance all or a portion of the Costs of the Project. Borrower will apply the proceeds strictly in accordance with the Act and Oregon law

(b) Performance Under Loan Documents. 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 the other Loan Documents; and (iii) to comply with the covenants described in this Loan Agreement and the other Loan Documents.

(c) Completion of Project and Provision of Moneys Therefore. At least ten days before advertising for bids, Borrower shall submit bid documents and a timeline for the bidding/awarding process to the State for review. Within ten days after selecting a contractor, Borrower shall provide a copy of the bid tabulation and notice of award to the State. The Borrower shall obtain as-built drawings for all facilities of the Project and obtain certification of completion per as-built drawings from the Project engineer within ninety (90) days of the Project Completion Date. The Borrower shall supply a copy of such drawings and certification to the State upon request. The Borrower further covenants and agrees (i) to complete the Project and to so accomplish such completion on or before the Project Completion Date set forth in Exhibit C; (ii) to proceed expeditiously with, and complete, the Project in accordance with the Work Plan and Milestone Deadlines (as defined in the Contract) on page 2 of Exhibit B (Project Budget) and (iii) to provide from its own fiscal resources all moneys, in excess of the total amount of Loan proceeds it receives pursuant to this Loan Agreement, required to complete the Project.

Borrower covenants to submit to the State for its review and approval, on or prior to the Project Closeout Date stated in Exhibit C, a final Project completion report, on a form provided by the State, certifying that the conditions set forth in the Loan Agreement have been satisfied, construction has been completed, and all Project expenditures have occurred.

(d) Disposition of Project or System. Unless worn out, obsolete, or in the reasonable business judgment of the Borrower, no longer useful in the operation of the System, the Borrower shall not sell, lease, exchange, 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 for payment of amounts due under this Loan Agreement and the Loan Documents, except if the State consents thereto in writing upon ninety (90) days' prior written notice to the State. Proceeds of any such disposition not used to replace property which is part of the Project shall be applied to prepay the outstanding principal of and interest on the Loan as a Loan Prepayment, as provided in Section 2.04 of this Agreement.

(e) 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 Section 2.05(b), and provided further that nothing herein shall be construed as preventing the Borrower from doing so.

(f) 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 Revenue Records"), separate and distinct from its other records and accounts (the "General Records"). Such Repayment Revenue Records shall be maintained in accordance with generally accepted accounting principles as established by the Government Accounting Standards Board as in effect from time to time 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 Revenue Records and General Records shall be made available for inspection by the State at any reasonable time, and a copy of such annual audit(s) therefore, including all written comments and recommendations of such accountant, shall be furnished to the State within two hundred ten (210) days of the close of the fiscal year being so audited. The Borrower's financial management systems must conform with the generally accepted accounting principles for state and municipal corporations established by the National Committee on Governmental Accounting as in effect from time to time.

(g) Inspections; Information. The Borrower shall permit the State and any party designated by the State 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 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 bonds, notes or other indebtedness of the Borrower that are issued after the Loan Closing Date and are secured by the Net Revenues or any funds that are the source of repayment of the Loan.

(h) Insurance. The Borrower shall maintain or cause to be maintained insurance policies with responsible insurers or self insurance programs insuring 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. In the event the Project or any portion thereof is destroyed, any insurance proceeds shall be paid to the State and shall be applied to prepay the outstanding balance on the Loan in accordance with Section 2.04 hereof, unless the State agrees in writing that the insurance proceeds shall be used to rebuild the Project.

(i) Condemnation. In the event the Project or any portion thereof is condemned, any condemnation proceeds shall be used to prepay the outstanding balance on the Loan in accordance with Section 2.04 hereof.

(j) Notice of Material Adverse Change. The Borrower shall promptly notify the State of any material adverse change in the activities, prospects or condition (financial or otherwise) of the Borrower, the Project, or the Borrower's 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 and the other Loan Documents.

(k) Financial Statements; Reports. The Borrower shall deliver to the State in form and detail satisfactory to the State:

- (i) As soon as reasonably possible and in any event within two hundred ten (210) days after the close of each fiscal year of the Borrower, 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 statements of revenues, expenditures, cash flows, and changes in retained earnings for each of the funds constituting the revenues for such period, all in comparative form and all in reasonable detail and certified by the chief financial officer of the Borrower, subject to year-end audit adjustments.
- (ii) Such other statement or statements or reports as to the Borrower as the State may reasonably request.

(l) Meters. Prior to final disbursement of the Loan,

- (i) In the case of construction projects, the Borrower shall install necessary source meter(s) and service meter(s) on all connections throughout the drinking water system. The Borrower shall also have an acceptable operations program that includes regular reading and maintaining of all system meters.
- (ii) In the case of planning, preliminary engineering and final design and specification projects, the Borrower must adopt a plan for the installation of necessary source meter(s) and service meter(s) on all connections throughout the drinking water system.

(m) Environmental Review. Prior to any work on the Project, whether construction or non-construction related, an environmental review in accordance with the State environmental review process and consistent with state and federal environmental laws must be completed.

(n) Contract Covenants. The Borrower covenants and agrees to comply with the terms of the Contract including without limitation the covenants of the Borrower in Section 6 of the Contract.

(o) 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, and confirming the rights, security interests and agreements granted or intended to be granted by this Loan Agreement.

ARTICLE IV CONDITIONS PRECEDENT

SECTION 4.01. Loan Closing. The State's obligations hereunder are subject to satisfaction of the following conditions precedent on or prior to the Loan Closing Deadline or such later date as the State may authorize in the State's sole and absolute discretion:

(a) due execution and delivery to the State by the Borrower of the following items, each in form and substance satisfactory to State and its Counsel, and filed if so required by the State:

- (i) this Loan Agreement duly executed and delivered by an Authorized Officer of the Borrower;

- (ii) the Note duly executed and delivered by an Authorized Officer of the Borrower;
- (iii) the Contract duly executed and delivered by an Authorized Officer of the Borrower;
- (iv) copy of the ordinance, order, resolution, or other authorizing document of the governing body of the Borrower as appropriate under Borrower's organizational documents authorizing the execution and delivery of this Loan Agreement, the other Loan Documents, and the Borrower's Contract, certified by an Authorized Officer of the Borrower;
- (v) an opinion of the Borrower's Counsel, acceptable to State, substantially in the form of Exhibit E hereof; and
- (vi) such other certificates, documents, opinions and information as the State may reasonably require.

(b) there is money available in the Safe Drinking Water Fund for the Project;

provided, however, the State shall be under no obligation to make this Loan if there has been a change in the Act so that the Project is no longer eligible for the financial assistance authorized by this Loan Agreement.

SECTION 4.02. Conditions to Disbursements. Notwithstanding anything in this Loan Agreement or any of the Loan Documents to the contrary, the State shall have no obligation to make any disbursement to the Borrower hereunder if:

(a) an Event of Default, or event, omission or failure of a condition which would constitute an Event of Default as defined in this Loan Agreement or any of the Loan Documents after notice or lapse of time or both, has occurred and is continuing under this Loan Agreement or any of the Loan Documents;

(b) the representations and warranties of the Borrower made in this Loan Agreement are not true and correct on the date of disbursement with the same effect as if made on such date;

(c) State has not received (i) a disbursement request executed by the Borrower in substantially a form to be provided by State and (ii) any other written evidence of materials and labor furnished to or performed upon the Project, itemized receipts or invoices for the payment of the same, and releases, satisfactions and other signed statements and forms as the State may require as a condition for making disbursement of funds under this Loan Agreement. The State may, at its option, from time to time, either reimburse the Borrower for construction costs paid or may make direct payment for construction costs to suppliers, subcontractors and others for sums due them in connection with construction of the Project. Nothing herein contained shall require the State to pay any amounts for labor or materials unless satisfied that such claims are reasonable and that such labor and materials were actually expended and used in the construction of the Project. The State, at its option, from time to time, may also require that the Borrower have a contractor or subcontractor execute and/or deliver a surety bond or indemnification in form and substance acceptable to the State for the faithful performance of the construction contract or subcontract and payment of all liens and lienable expenses in connection therewith in a sum equal to the contract or subcontract price. Disbursements for the Costs of the Project shall be subject to a retainage at the rate of five percent (5%), which will be released upon satisfactory completion of the Project; or

(d) money is not available in the Safe Drinking Water Fund to fund the disbursement.

provided, however, the State shall be under no obligation to make any disbursements hereunder if there has been a change in the Act so that the Project is no longer eligible for the financial assistance authorized by this Loan Agreement.

**ARTICLE V
ASSIGNMENT**

SECTION 5.01. Assignment by Borrower. This Loan Agreement and the other Loan Documents may not be assigned by the Borrower without the prior written consent of the State. The State may grant or withhold such consent in its sole discretion. In the event of an assignment of this Loan Agreement and the other Loan Documents by Borrower and assumption of the obligations hereunder, Borrower shall pay, or cause to be paid, to the State any fees or costs incurred by the State as the result of such assignment, including but not limited to, attorney fees of its Counsel.

**ARTICLE VI
DEFAULTS AND REMEDIES**

SECTION 6.01. Event of Default. Time is of the essence of this Loan Agreement. 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; or

(b) Failure by the Borrower to make, or cause to be made, any required payments of principal 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; or

(c) Any representation made by or on behalf of the Borrower contained in this Loan Agreement or any other Loan Document, or in any agreement, instrument, certificate or document furnished in compliance with or with reference to this Loan Agreement, any other Loan Document or the Loan, is false or misleading in any material respect; or

(d) 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 twenty (20) calendar 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) calendar days; or

(e) Failure of the Borrower's governing body to appropriate sufficient funds to fully fund all of the Borrower's obligations to make Loan Repayments hereunder for any future fiscal period; or

(f) The occurrence of any event of default under Section 7 of the Contract; or

(g) 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 or any other Loan Documents, other than as referred to in subsections (a) through (f) of this Section, which failure shall continue for a period of thirty (30) calendar days after written notice, specifying such failure and requesting that it be remedied, is given to the Borrower by the State, unless the State 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 may not unreasonably withhold its consent to an extension of such time up to one hundred twenty (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.

SECTION 6.02. Notice of Default. The Borrower shall give the State prompt notice by telephone of the occurrence of any Event of Default referred to in Section 6.01(d) 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 6.02 shall be confirmed in writing as soon as practicable by the Borrower.

SECTION 6.03. Remedies on Default. Whenever an Event of Default referred to in Section 6.01 hereof shall have occurred and be continuing, the State shall have the right to take any action permitted or required pursuant to the Loan Agreement or any other Loan Document 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, (a) declaring all principal and interest and all other amounts due hereunder and under the other Loan Documents to be immediately due and payable, and upon notice to the Borrower the same shall become due and payable without further notice or demand, (b) appointment of a receiver of the System, (c) refusal to disburse any funds under this Loan Agreement, (d) barring the Borrower from applying for future state assistance, or (e) withholding amounts otherwise due to the Borrower to apply to the payment of amounts due under this Loan Agreement pursuant to ORS 285A.213(6) and OAR 123-049-0040.

SECTION 6.04. Attorney Fees and Other Expenses. To the extent permitted by the Oregon Constitution and the Oregon Tort Claims Act, the prevailing party in any dispute arising from this Agreement shall be entitled to recover from the other its reasonable attorney fees, costs and expenses at trial and on appeal. Reasonable attorney fees shall not exceed the rate charged to the State by its attorneys. The Borrower shall, on demand, pay to the State reasonable expenses incurred by the State in the collection of Loan payments.

SECTION 6.05. Application of Moneys. Any moneys collected by the State pursuant to Section 6.03 hereof shall be applied (a) first, to pay any attorney fees or other fees and expenses owed by the Borrower hereunder, (b) second, to pay interest due and payable on the Loan, (c) third, to pay principal due and payable on the Loan, and (d) fourth, to pay any other amounts due and payable under this Loan Agreement or any of the Loan Documents.

SECTION 6.06. No Remedy Exclusive; Waiver; Notice. No remedy herein conferred upon or reserved to the State 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 any of the Loan Documents 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 to exercise any remedy reserved to it in this Article VI, it shall not be necessary to give any notice, other than such notice as may be required in this Article VI.

SECTION 6.07. Default by the State. In the event of any default by the State under any covenant, agreement or obligation of this Loan Agreement, 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.

**ARTICLE VII
MISCELLANEOUS**

SECTION 7.01. Notices. All notices hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed, postage prepaid, to the Borrower at the address specified on Exhibit C hereof and to the State at the following address:

Economic and Community Development Department
Attention: Operations Manager, Community Development Division
775 Summer Street NE, Suite 200
Salem, OR 97301-1280

Any notice so addressed and mailed shall be effective five (5) days after mailing. Any notice given by personal delivery shall be effective when actually delivered.

A party may designate any further or different address to which subsequent notices shall be sent, by notice in writing.

SECTION 7.02. Successors and Assigns. The Borrower shall not assign or transfer any interest in this Loan Agreement or in any other Loan Document without the prior written approval of the State. Any such assignment or transfer, if approved, is subject to such conditions and provisions as the State may deem necessary. No approval by the State of any assignment or transfer shall be deemed to create any obligation of the State in addition to those set forth in the Loan Agreement or any of the other Loan Documents nor will the State's approval of an assignment or transfer relieve the Borrower of any of its duties or obligations under this Loan Agreement or any of the other Loan Documents. This Loan Agreement shall inure to the benefit of and shall be binding upon the State and the Borrower and their respective successors and permitted assigns.

SECTION 7.03. 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 7.04. 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.

SECTION 7.05. 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 7.06. No Construction Against Drafter. Both parties acknowledge that they are each represented by and have sought the advice of Counsel in connection with this Loan Agreement and the transactions contemplated hereby and have read and understand the terms of this Loan Agreement. The terms of this Loan Agreement shall not be construed against either party as the drafter hereof.

SECTION 7.07. Applicable Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State of Oregon, including the Act, without regard to principles of conflicts of law. Any claim, action, suit or proceeding (collectively, "Claim") between the State (and/or any agency or department of the State of Oregon) and the Borrower that arises from or relates to this Loan Agreement shall be brought and conducted solely and exclusively within the Circuit Court of Marion County for the State of Oregon (unless Oregon Law requires that it be brought and conducted in another county); provided, however, if a Claim must be brought in a federal forum, then it shall be brought and conducted solely and exclusively within the United States District Court for the District of Oregon. In no event shall this Section be construed as a waiver by the State of Oregon of any form of defense or immunity, whether it is sovereign

immunity, governmental immunity, immunity based on the Eleventh Amendment to the Constitution of the United States or otherwise, from any Claim or from the jurisdiction of any court.

SECTION 7.08. 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.

SECTION 7.09. Merger; No Waiver. This Loan Agreement and the attached exhibits (which are by this reference incorporated herein) constitute the entire agreement between the parties on the subject matter hereof. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this Loan Agreement. No waiver of any provision of this Loan Agreement or consent shall bind either party unless in writing and signed by the party against whom the waiver or consent is sought to be enforced (and in the case of a waiver or consent by the State, all necessary State approvals have been obtained). Such waiver or consent, if made, shall be effective only in the specific instance and for the specific purpose given. The failure of or delay by the State to enforce any provision of this Loan Agreement shall not constitute a waiver by the State of that or any other provision.

SECTION 7.10. No Third Party Beneficiaries. The State and the Borrower are the only parties to this Loan Agreement and are the only parties entitled to enforce its terms. The parties agree that the Borrower's performance under this Loan Agreement is solely for the benefit of the State. Nothing in this Loan Agreement gives, is intended to give, or shall be construed to give or provide, whether directly, indirectly or otherwise, to third persons any greater right or benefit than the rights and benefits enjoyed by the general public unless such third persons are individually identified by name herein and expressly described as intended beneficiaries of the terms of this Loan Agreement.

This Agreement is effective on the date it is fully executed and approved as required by applicable law. The Borrower, by the signature below of its Authorized Officer, acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms and conditions.



STATE OF OREGON

acting by and through its Economic and
Community Development Department



CITY OF SHERWOOD

By: XXXXXXXXXXXXXXXXXXXXX
Laird Bryan, Operations Manager
Community Development Division

By: XXXXXXXXXXXXXXXXXXXXX
Ross E. Shultz, City Manager

Date: XXXXXXXXXXXXXXXXXXXXX

Date: XXXXXXXXXXXXXXXXXXXXX

APPROVED AS TO LEGAL SUFFICIENCY IN ACCORDANCE WITH ORS 291.047:

/s/ Lynn T. Nagasako, AAG (email dated 04/14/2008)
Lynn T. Nagasako, Sr. Assistant Attorney General

Date: April 14, 2008

PROJECT DESCRIPTION

Borrower will complete an approximately four million gallon (4.0 MG), pre-stressed concrete reservoir providing for the storage of treated water, as well as a new pump station, an overflow pond, on-site piping, sanitary sewer lines, and storm water drainage facilities improvements in the western portion of Snyder Park, located at 15356 SW Sunset Boulevard in Sherwood, Oregon. The reservoir will be partially buried in the hillside and thereby incorporated into the existing park facilities configuration with approximately seven feet of retaining wall exposed on the western side toward SW Pine Street. In conjunction with the new reservoir, Borrower will:

1. Construct a new pump station with an emergency generator, pump, motor control center/telemetry room, and chlorination room that provides for the relocation and redesign of an existing pump station associated with the original 2.0 MG Snyder Park reservoir; and
2. Provide a reservoir emergency overflow detention pond and piping.

**Oregon Economic & Community Development Department
Project Budget**

Loan Agreement Exhibit B
Page 1 of 2

Project Number: S08004
Project Name: Sherwood Snyder Park Reservoir Number 2

Recipient: City of Sherwood
Funding Pgm(s): Safe Drinking Water Revolving Loan Fund

(A) Activity	Department Funds				Other/Matching Funds			All Funds
	(B) Approved Budget	(C) Prior Disbursements	(D) Current Request	(E) = [B-C-D] Balance	(F) Approved Budget	(G) Expended To Date	(H) = [F-G] Balance	(I) = [C+D+G] Disbursed & Expended To Date
Engineering					\$1,280,000		\$1,280,000	
Construction - Water Reservoir	6,000,000			6,000,000	1,450,000		1,450,000	
Contingencies					1,350,000		1,350,000	
Total	\$6,000,000			\$6,000,000	\$4,080,000		\$4,080,000	

Total Project Budget		
Funding Sources	Approved Budget	Expenditures To Date
Safe Drinking Water Revolving Loan Fund	\$6,000,000	
Other/Matching Funds	4,080,000	
Total Project Costs	\$10,080,000	

Non-Department Funds (Other/Matching) Sources Used for all Expenditures		
Funding Sources	Approved Budget	Expenditures To Date
City of Sherwood	\$4,080,000	
Total Non-Dept. Funds	\$4,080,000	

Non-Department Funds (Other/Matching) IN-KIND		
Source of In-Kind Contribution	Goods/Services Donated	Value of Contribution To Date
In-Kind Contributions To Date		

Oregon Economic & Community Development Department
Project Budget

Project Number: S08004
Project Name: Sherwood Snyder Park Reservoir Number 2

Work Plan (report for every cash request)		
Milestones	Milestone Deadline	Results Achieved
1 <u>Engineering Start</u>	<u>May 1, 2007</u>	<u></u>
2 <u>Construction Start</u>	<u>May 15, 2008</u>	<u></u>
3 <u>Construction 50% Complete - Project Monitoring</u>	<u>Dec 31, 2008</u>	<u></u>
4 <u>Construction 100% Complete</u>	<u>Dec 1, 2009</u>	<u></u>
5 <u>Project Complete</u>	<u>Jun 30, 2011</u>	<u></u>
6 <u></u>	<u></u>	<u></u>
7 <u></u>	<u></u>	<u></u>
8 <u></u>	<u></u>	<u></u>
9 <u></u>	<u></u>	<u></u>
10 <u></u>	<u></u>	<u></u>

DESCRIPTION OF THE LOAN

1. Loan Closing Deadline: June 30, 2008
2. Name and Address of Borrower: City of Sherwood
22560 SW Pine Street
Sherwood, OR 97140
3. Costs of the Project: \$10,080,000
4. Matching Funds \$4,080,000
5. Project Completion Date: December 1, 2009
6. Project Closeout Date: June 30, 2011
7. Maximum Aggregate Principal Amount of Loan: \$6,000,000
8. Interest Rate: three and 55/100 percent (3.55%) per annum
9. Term of the Loan: Approximately but no greater than 20 years
(See Sections 1.01 and 2.02)
10. Authorized Officer(s) of Borrower: Mayor
City Manager

SPECIAL CONDITIONS

I. General Fund as a Source of Repayment

The Borrower hereby pledges its full faith and credit and taxing power within the limitations of Article XI, Sections 11 and 11 b, of the Oregon Constitution to pay the amounts due under the Loan Agreement and the Note. The Loan Agreement and the Note shall be payable from all legally available funds of the Borrower.

II. Security - Net Revenues of the System – Senior Lien or Parity Position

1. The principal of and interest on the Loan shall be payable from the Net Revenues of the Borrower's System. The Borrower hereby grants to the State a security interest in and irrevocably pledges its Net Revenues to pay all of the obligations owed by the Borrower to the State under the Loan Agreement. Pursuant to ORS 287A.310, the pledge of the Net Revenues hereby made by the Borrower shall be valid and binding from the date of this Loan Agreement.
2. The Borrower shall not incur any obligation payable from or secured by a lien on and pledge of the Net Revenues that is superior to or on a parity with the Loan unless the Net Revenues exceed one hundred ten percent (110%) of the aggregate annual debt service on the Loan and all senior lien and parity obligations (including any proposed obligations). Prior to the issuance of any senior lien or parity obligations, the Borrower shall deliver to State a certificate demonstrating that the requirements of this paragraph are satisfied.
3. The Borrower shall charge rates and fees in connection with the operation of the System which, when combined with other gross revenues, are adequate to generate Net Revenues each fiscal year at least equal to one hundred ten percent (110%) of the annual debt service due in the fiscal year on the Loan, any outstanding senior lien obligations and any additional obligations on a parity with the Loan as described in paragraph 2 above.
4. The Borrower may establish a debt service reserve fund to secure repayment of the obligations that are issued on a parity with the Loan as described in paragraph 2 above, provided that such debt service reserve fund shall not be pledged to the payment of the debt service on such obligations unless the Net Revenues of the System are deposited into such debt service reserve fund only after provision is made for the payment of debt service on the Loan and any parity obligations described in paragraph 3 above during the current fiscal year.
5. The Net Revenues pledged pursuant to paragraph 1 above and hereafter received by the Borrower shall immediately be subject to the lien of such pledge without physical delivery or further act, and the lien of the pledge shall be superior to all other claims and liens whatsoever, except as provided in paragraph 2 above, to the fullest extent permitted by ORS287A.310. The Borrower hereby represents and warrants that the pledge of Net Revenues hereby made by the Borrower complies with, and shall be valid and binding from the date hereof pursuant to ORS287A.310.

III. Other Requirements-Rates

From and after the Project Completion Date, Borrower shall set and maintain water rates for water supplied by the System that generate Net Revenues sufficient to cover: (1) all debt service for obligations secured by the Net Revenues, including but not limited to all debt service for the Loan, (2) any required debt reserves for obligations secured by the Net Revenues, and (3) any set-asides or required reserves for System repair or replacements. Borrower shall deliver to the State a copy of the ordinance or resolution of Borrower's governing body authorizing such rates, certified by an Authorized Officer of Borrower. If in any fiscal year the Borrower fails to generate Net Revenues to meet this requirement, the Borrower shall adjust its rates and assure future compliance.

Form of Opinion of Counsel

Capitalized terms used in this opinion that are not defined herein have the meanings assigned to them by that certain loan agreement dated as of XXXXXXXXXXXXXXXXXXXX, XXXX between the State of Oregon acting by and through the Economic and Community Development Department (“State”) and Borrower (as defined below).

It is the opinion of XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX, counsel for the City of Sherwood, 22560 SW Pine Street, Sherwood, OR 97140 (“Borrower”), that:

(a) Borrower is a Municipality duly organized and validly existing under the laws of Oregon, and Borrower has the requisite power and authority to own its properties and conduct its business as now conducted. Borrower owns a community water system, as defined under the Act and Oregon law, that is eligible to receive funds.

(b) Borrower has the requisite power and authority to execute, deliver, and perform the Loan Documents and the Contract. The Loan Documents and the Contract have been duly and validly authorized by Borrower, have been executed and delivered by an Authorized Officer of Borrower, constitute the legal, valid, and binding obligations of Borrower and are enforceable according to their terms, subject to bankruptcy and other laws of general application affecting the rights and remedies of creditors, except that no opinion need be given as to the availability of equitable remedies.

(c) Borrower is not in violation or default of any material agreement to which it is a party or by which it is bound, which affects or relates to Borrower’s performance under the Loan Documents or the Contract. Borrower’s execution, delivery, performance, and compliance with the terms of the Loan Documents and the Contract do not violate any material provision of any applicable federal, state, or local law, rule or regulation binding on Borrower or of any judgment, writ, decree, or order known to such counsel to be binding on Borrower, or any provision of Borrower’s organizational documents and do not conflict with or constitute a material default under the provisions of any material agreement to which Borrower is a party or by which it is bound.

(d) All consents, approvals, orders, or authorizations of, and all qualifications, registrations, designations, declarations, or filings with any federal or state governmental authority on the part of Borrower required for the consummation of the transactions contemplated by the Loan Documents and the Contract have been obtained and are effective as of the date hereof, and such counsel is not aware of any proceedings, or threat thereof, which question the validity thereof.

(e) There is no action, suit, proceeding, or investigation pending or threatened against Borrower which would, if adversely determined, have a material adverse effect on the financial condition or business of Borrower or on the ability of Borrower to perform its obligations under the Loan Documents or the Contract.

(f) The State has acquired a legally valid and perfected security interest in and lien on the Net Revenues to secure Borrower’s repayment of the Loan and performance of Borrower’s other obligations under the Loan Documents.

STATE OF OREGON
ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT
PROMISSORY NOTE

XXXXXXXXXXXXXXXX, XXXX

Sherwood, Oregon

FOR VALUE RECEIVED, the City of Sherwood, 22560 SW Pine Street, Sherwood, OR 97140 (hereinafter "Borrower"), unconditionally promises to pay in lawful money of the United States of America to the order of the STATE OF OREGON, ACTING BY AND THROUGH ITS ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT, at its principal office at 775 Summer Street NE, Suite 200, Salem, OR 97301-1280 (hereinafter "State"), the principal sum of Six Million Dollars (\$6,000,000) or so much thereof as is disbursed pursuant to the Loan Agreement (as defined below), plus accrued interest on the outstanding principal balance at the rate of three and 55/100 percent (3.55%) per annum from the date hereof until paid. Interest shall be computed on the basis of a 360-day year, consisting of twelve (12) thirty-day (30) months.

Capitalized terms not otherwise defined in this Note shall have the meanings assigned to them by that certain loan agreement dated as of XXXXXXXXXXXXXXXX, XXXX, between the State and the Borrower (as amended from time to time the "Loan Agreement").

Unless earlier repayment is received hereunder or under the terms of the Loan Agreement, commencing on the First Payment Date and thereafter on December 1 of each year, the Borrower shall make installment payments of principal and interest in such amounts as calculated in accordance with Section 2.02 of the Loan Agreement until the Maturity Date, at which time the entire outstanding principal balance and all accrued unpaid interest shall be due and payable in full.

This Note is subject to mandatory prepayment, and is payable prior to its maturity, as provided for in Sections 2.04 of the Loan Agreement.

Each payment made by the Borrower hereunder shall be applied first to the State's costs and expenses, then to unpaid accrued interest on the Loan, and lastly to the principal of the Loan, unless the Loan Documents provide otherwise.

This Note is given to avoid the execution by Borrower of an individual note for each disbursement of Loan proceeds by State to Borrower in accordance with Section 2.01 of the Loan Agreement. In consideration thereof, Borrower authorizes State to record in State's files the date and amount of each such disbursement, the date and amount of each payment and prepayment by Borrower hereunder and the amount of interest accrued and paid. Borrower further agrees that absent manifest error, such notations shall be conclusive evidence of borrowing, payments and interest under this Note; provided, however, that failure to make any such notations shall not affect the obligations of Borrower hereunder or under any of the Loan Documents.

If any Event of Default occurs, the outstanding balance of the Note, including principal, interest and other charges, if any, shall, at the option of the State, become immediately due and payable in accordance with Section 6.03 of the Loan Agreement. Failure or delay of the holder of this Note to exercise any option available to the State under the terms of this Note or 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 shall not constitute a waiver of any subsequent breach of the same or of any other provision of this Note or the Loan Agreement.

All parties to this Note hereby waive presentment, dishonor, notice of dishonor, and protest. All parties hereto hereby consent to, and the holder hereof is hereby expressly authorized to make, without notice, any and all renewals, extensions, modifications or waivers of the time for or the terms of payment of any sum of sums due hereunder, or under any documents or instruments relating to or securing this Note, or of the performance of any covenants, conditions or agreements hereof or thereof, or the taking or release of collateral securing this Note. No liability of any of the parties of this Note shall be discharged by any action consented to above taken by any holder of this Note.

This Note is made with reference to, and is to be construed in accordance with, the laws of the State of Oregon.

This Note is subject to, and is secured pursuant to, the terms and conditions of the Loan Agreement.

Notice to Borrower
Do not sign this Note before you read it.

CITY OF SHERWOOD

By: XXXXXXXXXXXXXXXXXXXXXXXXXX

Title: XXXXXXXXXXXXXXXXXXXXXXXXXX

ENVIRONMENTAL AND NATURAL RESOURCE AGENCIES

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

FEDERAL CROSS-CUTTERS

Environmental Authorities

- Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended
- Clean Air Act, Pub. L. 84-159, as amended
- Coastal Barrier Resources Act, Pub. L. 97-348
- Coastal Zone Management Act, Pub. L. 92-583, as amended
- Endangered Species Act, Pub. L. 93-205, as amended
- Environmental Justice, Executive Order 12898
- Floodplain Management, Executive Order 11988 as amended by Executive Order 12148
- Protection of Wetlands, Executive Order 11990
- Farmland Protection Policy Act, Pub. L. 97-98
- Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended
- National Historic Preservation Act of 1966, PL 89-665, as amended
- Safe Drinking Water Act, Pub. L. 93-523, as amended
- Wild and Scenic Rivers Act, Pub. L. 90-542, as amended

Economic and Miscellaneous Authorities

- Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended, Executive Order 12372
- Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans
- Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended
- Debarment and Suspension, Executive Order 12549

Social Policy Authorities

- Age Discrimination Act of 1975, Pub. L. 94-135
- Title VI of the Civil Rights Act of 1964, Pub. L. 88-352 and related anti-discrimination statutes
- Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act)
- Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250)
- Equal Employment Opportunity, Executive Order 11246
- Women's and Minority Business Enterprise, Executive Orders 11625, 12138 and 12432
- Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590