

LA PINE WATER DISTRICT
RESOLUTION NO. 2004-2

A RESOLUTION AUTHORIZING THE SALE OF REVENUE BOND
ANTICIPATION NOTE, SERIES 2004, IN AN AMOUNT NOT TO EXCEED
\$313,000.

WHEREAS, the Board of Commissioners of the LaPine Water District, Deschutes County, Oregon (the "District") finds:

A. On December 4, 2001, the Board of Commissioners adopted Resolution No. 2001-5 which authorized the District to issue water revenue bonds in an amount not to exceed \$2,826,500 (the "Bonds") pursuant to the Uniform Revenue Bond Act (ORS 288.805 to 288.895, or the "Act"), to fund improvements to the District's water system (the "Public Improvements"), and to pay all costs incidental thereto.

B. Sixty days have expired since publication of the required notice and no petitions have been filed which would require the District to hold an election before issuing the Bonds, and the District is therefore authorized to issue the Bonds.

C. The United States of America, acting through the Rural Utilities Service, an agency of the federal government ("RUS"), has issued its letter confirming that it will purchase the District's Bonds.

D. In November 2003, the District issued its \$2,826,500 Water Revenue Bond No. 1 (the "2003 Water Revenue Bond No. 1") to RUS to finance the Public Improvements.

E. In order to complete the Public Improvements, the District will issue a Bond to RUS in the remaining principal amount authorized by Resolution No. 2001-5.

F. Oregon Revised Statutes 288.165 authorize the District to borrow money and issue its bond anticipation note for the interim financing of capital assets and to determine the method and terms of sale of such note.

E. Notes issued under ORS 288.165 must mature not more than five year after the date the notes are issued.

NOW, THEREFORE, THE BOARD OF COMMISSIONERS OF THE LAPINE WATER DISTRICT RESOLVES THAT:

Section 1. Note Authorized. The Board of Commissioners hereby authorizes the issuance of Revenue Bond Anticipation Note, Series 2004 (the "Note"), in a principal amount of not more than \$313,000 pursuant to ORS 288.165. The proceeds of the Note shall be used for

interim financing of the costs of the Public Improvements and to pay the costs of issuing the Note. The Note shall bear interest at a rate of not more than eight percent per annum, and shall mature no later than five years after the date the Note is issued and may provide for renewal, extension, or conversion to permanent financing on terms approved by the Authorized Officer, as defined below. The Chair of the Board of Commissioners and the Secretary/Treasurer of the District or any person designated by the Chair or Secretary/Treasurer to act under this Resolution (the "Authorized Officer") are hereby authorized, on behalf of the District and without further authorization by the Board of Commissioners, to:

- a. Determine the final principal amount, maturity date, interest payment dates, redemption terms and other terms of the Note within the limitations established in Section 1 of this Resolution;
- b. Approve, deem final and authorize the distribution of preliminary and final official statements for the Note;
- c. Renew, extend or convert to permanent financing the Note;
- d. Prepare and circulate a request for proposal for the sale of the purchase of the Note, accept offers for the Notes, and award the sale of the Notes to the firm offering the terms most favorable to the District;
- e. Enter into rate covenants; and
- f. Execute all documents which are reasonably required, and take any other action which is desirable, in order to issue, sell and deliver the Notes in accordance with this Resolution.

Section 2. Security. The Note shall be payable primarily from the proceeds of the Bonds. The District pledges the proceeds of such Bonds, the unexpended proceeds of the Note, and the net revenues of the District's water system to the punctual payment of principal of and interest on the Note. Such pledge of the net revenues of the District's water system to the payment of the Note shall be subordinate to the pledge of the net revenues to the payment of principal of and interest on the 2003 Water Revenue Bond No. 1.

Section 3. Protection and Disposition of Funds. The Secretary/Treasurer shall be the custodian of the proceeds of the Note sold hereunder and such proceeds shall be deposited in a bank which is a member of the Federal Deposit Insurance Corporation; provided, that if any or all of the promissory Note are purchased by any bank in the State of Oregon, the Authorized Officer may cause the funds to be deposited in the bank to the extent that it is insured by the FDIC. The proceeds of the Note may also be invested in the State Investment Pool. The Authorized Officer is directed to establish the Construction Account described in Section 4, into which the Note proceeds shall be deposited, and which account shall be continued and

maintained for such purpose, except as otherwise herein provided, for so long as the said Note remains unpaid.

Section 4. Construction Account. The proceeds of the Note hereby authorized shall be deposited in the Construction Account. The amounts in the Construction Account exceeding the insurance available from the Federal Deposit Insurance Corporation shall be secured by the depository bank in accordance with State and Federal law. Withdrawals from the Construction Account shall be made only on checks signed by the Authorized Officer of the District as authorized by the Board of Commissioners, countersigned by the Chair or other authorized District official, and only for the purposes for which the Note was issued as specified in the estimate of costs. The District's share of any liquidated damages and other moneys paid by defaulting contractors or their sureties shall be deposited in the Construction Account to assure completion of the Public Improvements. When the construction of the Public Improvements has been completed, or all construction costs have been paid in full, any balance remaining in the Construction Account shall be used immediately to pay or apply on the payment of any such Note as may thereafter fall due, or, if said Note have been paid from the proceeds of the sale of its Bonds, then the balance shall be applied to the payment of Bonds in the manner prescribed by the ordinance or resolution authorizing the Bonds.

Section 5. Form of Note. The Note may be in conventional or book-entry only form, and may be printed or typewritten. The Authorized Officer shall determine the form in which the Note shall be issued.

Section 6. Execution. The Note shall be executed on behalf of the District with the manual or facsimile signature of the Authorized Officer.

Section 7. Bank Purchase. The Board of Commissioners hereby designates the Note as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The District covenants not to so designate tax-exempt obligations in the current calendar year in an aggregate amount of more than \$10,000,000. The District (and all subordinate entities thereof, if any) does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations during the current calendar year. The Board of Commissioners acknowledges receipt of the proposal letter from the Bank of America, N.A. dated May 5, 2004, a copy of which is on file with the District (the "Proposal"), and authorizes the Authorized Officer to accept a commitment on substantially the same terms and conditions of the Proposal.

Section 8. Tax-Exempt Status. The District covenants not to take any action or omit any action if the taking or omission would cause interest paid on the Note to be includable in gross income of the Noteholders for federal income tax purposes (except for environmental taxes on corporations). The Authorized Officer may enter into covenants on behalf of the District to protect the tax-exempt status of the Note.

Section 9. Rebate Exemption. No portion of the Note proceeds will be used to finance property which is used in the trade or business of nongovernments, or is loaned to nongovernments. The Note is not a "private activity bond" within the meaning of Section 141 of the Code. At least ninety-five percent of the net proceeds of the Note will be used for interim financing of improvements which will be owned and operated by the District. The District (and all subordinate entities thereof, if any) does not reasonably expect to issue tax-exempt obligations in the current calendar year which have an aggregate face amount of more than \$5,000,000. Accordingly, under Section 148(f)(4)(c) of the Code, no rebate to the United States is required to be paid in connection with the Note.

Adopts by the Board of Commissioners this 8th day of June, 2004.

BarbeAnn Nelson-Dodson, President

ATTEST:

Brian Earls, Secretary/Treasurer

No. 2

\$313,000

**LAPINE WATER DISTRICT
DESCHUTES COUNTY, OREGON
REVENUE BOND ANTICIPATION NOTE
SERIES 2004**

The LaPine Water District, Deschutes County, Oregon (the "District") hereby promises to pay, but solely from the sources specified below, to the order of Bank of America, N.A., Portland, Oregon, the principal amount of Three Hundred Thirteen Thousand Dollars (\$313,000) and to pay interest from the date hereof until maturity or earlier redemption at the rate of _____ percent (____%) per annum computed on a 30-day month, 360-day year basis upon presentation and surrender hereof on the ____ day of ____, 2004, or as indicated below. Principal and interest are payable through the office of the Bank of America, N.A., in Portland, Oregon.

The Note is subject to optional prepayment by the District on any business day upon 5 days prior notice to the Bank, but only from proceeds of the Bonds (as defined in the Resolution).

The Note is issued pursuant to ORS 288.165 and Resolutions dated December 4, 2001 and June 8, 2004 (collectively, the "Resolution"), which authorized the District to borrow funds to pay the water system improvements. The Resolution states that the Note shall be paid from the proceeds of the sale of bonds, unobligated net revenues of the Issuer's water system on a subordinate basis to payment of the Issuer's \$2,826,500 Water Revenue Bond No. 1 and unexpended Note proceeds all as provided in the Resolution.

The Note is a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

The District hereby certifies that all action necessary to authorize the issuance of this Note has been duly taken, and that this Note does not exceed any limitation on indebtedness contained in the laws of the State of Oregon.

IN WITNESS WHEREOF, the LaPine Water District, in Deschutes County, Oregon has caused this Note to be manually executed by its Chair and by its Secretary/Treasurer as of this __ day of ____, 2004.

LaPine Water District
Deschutes County, Oregon

Chair

Secretary/Treasurer