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INSTALLMENT SALE CONTRACT

Between

THE STATE OF OREGON, ECONOMIC DEVELOPMENT COMMISSION,
as the "Issuer" - Seller

And

CALIFORNIA-PACIFIC UTILITIES COMPANY,
as the "Corporation" - Purchaser

Dated February 1, 1977

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THIS INSTALLMENT SALE CONTRACT dated as of February 1, 1977, between the STATE OF OREGON, acting by and through the ECONOMIC DEVELOPMENT COMMISSION, called herein the "Issuer", and CALIFORNIA-PACIFIC UTILITIES COMPANY, a California corporation, called herein the "Corporation",

W I T N E S S E T H :

ARTICLE I

Definitions, Exhibits and Rules of Interpretation

Section 1.01. Definitions. In this Contract the following terms have the following respective meanings unless the context hereof clearly requires otherwise:

Act: Oregon Revised Statutes 280.310 to 280.390, inclusive;

Additional Bonds: Any Bonds issued pursuant to and in accordance with Section 3.07 herein, and Section 3-6 of the Indenture;

Bonds: The Economic Development Revenue Bonds, Series II-D (California-Pacific Utilities Company, Klamath County Project) to be issued by the Issuer pursuant to the Indenture, including any Additional Bonds;

Bond Fund: The fund created by Section 5-3 of the Indenture;

Business Day: Any day other than a Saturday, Sunday or day on which commercial banking institutions in the city in which the principal office of the Trustee is located are authorized to be closed;

Completion Date: The date established by certificate of the Corporation Representative as to completion and payment of the Cost of the Project, in accordance with Section 3.05 hereof;

Construction Fund: The fund created by Section 5-2 of the Indenture;

Contract: The Installment Sale Contract, and any amendment hereof or supplement hereto;

Corporation: California-Pacific Utilities Company, its successors and assigns, and any surviving, resulting or transferee corporation which may assume its obligations in accordance with the provisions of Sections 6.05 and 7.01 hereof;

Cost: The sum of the Project cost items enumerated in Section 3.02 hereof;

Counsel: An attorney designated by the Trustee, duly admitted to practice law before the highest court of any state; an attorney for the Corporation or Issuer may be eligible for appointment as Counsel;

Event of Default: Any of the events described in Section 8.01 hereof;

Indenture: The Indenture of Trust between the Issuer and First National Bank of Oregon, Portland, Oregon, as Trustee, dated February 1, 1977, including any indenture supplemental thereto;

Interest Payment Date: A date on which interest is due on the Bonds, and any date the principal and premium, if any, is due on the Bonds whether at maturity, acceleration, redemption or otherwise;

Issuer: The State of Oregon, acting by and through the Economic Development Commission;

Outstanding Bonds: When used with reference to Bonds as of the date of determination, all the Bonds authenticated and delivered under the Indenture, except

(a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee cancelled or for cancellation;

(b) Bonds deemed paid in accordance with the provisions of Section 7-2 of the Indenture; and

(c) Bonds in lieu of which other Bonds shall have been authenticated and delivered pursuant to the Indenture;

Paying Agent: Any bank or banks designated pursuant to the Indenture as the agent of the Issuer and the Trustee to receive and disburse the principal of and interest on the Bonds;

Plans and Specifications: The plans and specifications for the Project, which have been approved by the Corporation and are now on file in the office of the Corporation, together with such modifications thereof and additions thereto as are made in accordance with Section 3.01(1) hereof;

Project: The facilities, as they may at any time exist, that are to be acquired, constructed and installed in accordance with the Plans and Specifications; a general description of the Project is attached as Exhibit A hereto; and being those items of machinery, equipment, structures and related property now con-

structed or installed in anticipation of or required herein to be acquired and constructed or installed with proceeds from the sale of the Bonds or the proceeds of any payment by the Corporation pursuant to Section 4.03 of the Contract, and any additions or extensions of or to the Project financed by the issuance of Additional Bonds, but not including Corporation's own machinery and equipment installed under the provisions of Section 5.07 of the Contract;

Representative: Any person at any time designated to act in behalf of the Issuer or a person at any time designated to act in behalf of the Corporation, as the case may be, as evidenced by a written certificate furnished to the other party and the Trustee, containing the specimen signature of such person and signed for the Issuer by the designated person of the Department of Economic Development, or any two members of its Commission or for the Corporation by its Chairman of the Board, its President or any Vice-President. One or more alternative Representative may be designated, and if designated, may act as Representative;

Series II-D Bonds: The initial series of Bonds, dated as of February 1, 1977, issued under the Indenture; and

Trustee: First National Bank of Oregon, Portland, Oregon, and any successor trustee appointed, qualified and acting as such under the provisions of this Indenture;

Section 1.02. Exhibits. The following Exhibits are attached to and by reference made a part of this Contract:

- (1) **Exhibit A:** A general description of the properties comprising the Project.
- (2) **Exhibit B:** A description of the Project location.

Section 1.03. Rules of Interpretation.

- (1) This Contract shall be interpreted in accordance with and governed by the laws of the State of Oregon.
- (2) The words "herein" and "hereof" and words of similar import, without reference to any particular section or subdivision, refer to this Contract as a whole rather than to any particular section or subdivision hereof;
- (3) Reference herein to any particular section or subdivision hereof are to the section or subdivision of this instrument as originally executed;

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(4) Any terms not defined herein but defined in the Indenture shall have the same meaning herein unless the context hereof requires otherwise;

(5) The headings of Articles and Sections herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

ARTICLE II

Representations

Section 2.01. Representations By the Issuer. The Issuer makes the following representations as the basis for its covenants herein:

(1) The Issuer is authorized to enter into this Contract and the Indenture, and has authorized the execution and delivery of this Contract and the Indenture;

(2) The Issuer has determined that the issuance of the Series II-D Bonds, the acquisition and construction of the Project and the sale to the Corporation is a lawful and valid public purpose in that it will reduce the occurrence of economic conditions that may require more expensive remedial action;

(3) The acquisition and construction of the Project, the issuance and sale of the Series II-D Bonds, the execution and delivery of this Contract and the Indenture and the performance of all covenants and agreements of the Issuer contained in this Contract and the Indenture and of all other acts and things required under the Constitution and laws of the State of Oregon to make this Contract and the Indenture valid and binding obligations of the Issuer in accordance with their respective terms, are authorized by the Act and have been duly authorized by resolutions of the Issuer adopted at a meeting of the Oregon Economic Development Commission duly called and held on June 18, 1976, by the affirmative vote of not less than a majority of its members;

(4) The Issuer has not made, done, executed or suffered, and warrants that it will not make, do, execute or suffer any act or thing whereby its interest in any property now or hereafter included in the Project, shall or may be impaired, charged or encumbered in any manner whatsoever;

(5) The Issuer has authorized the Corporation, in accordance with the provisions of the Act and subject to the terms and conditions set forth in Article 3 of this Contract, which terms and conditions the Issuer determines to be necessary, desirable

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and proper, to provide for the construction and acquisition of all properties to be included in the Project in accordance with the Plans and Specifications and by such means as shall be available to the Corporation and in the manner determined by the Corporation, and without regard to the advertisement for bids as might be required for the construction and acquisition of other municipal facilities; and

(6) To finance the Cost of the Project, as presently estimated, in anticipation of the collection of the revenues hereof, the Issuer has duly authorized its Series II-D Bonds in the principal amount of \$500,000 to be issued upon the terms set forth in the Indenture, under the provisions of which the Issuer's interest in this Contract and the revenues to be received hereunder are pledged and a security interest therein granted to the Trustee as security for the payment of the principal of and interest and premium, if any, on the Bonds.

Section 2.02. Representations by the Corporation. The Corporation makes the following representations as the basis for its covenants herein:

(1) The Corporation is a corporation duly incorporated and in good standing under the laws of the State of California, and is duly qualified and authorized to do business in the State of Oregon, has power to enter into this Contract, and by proper corporate action has authorized the execution and delivery of this Contract;

(2) The execution and delivery of this Contract, and consummation of the transactions contemplated hereby, and the fulfillment of the terms and conditions hereof do not and will not conflict with or result in a breach of any of the terms or conditions of the certificate of incorporation or bylaws of the Corporation or of any corporate restriction or of any agreement or instrument to which the Corporation is now a party, and do not and will not constitute a default under any of the foregoing, or result in the creation or imposition of any lien, charge or encumbrance of any nature upon any of the property or assets of the Corporation contrary to the terms of any instrument or agreement;

(3) The Corporation does not rely on any express or implied warranty of the Issuer as to the title to or condition of or the fitness for the purpose of the Corporation, the Project, or that it will be suitable for the Corporation's needs;

(4) Substantially all of the proceeds of the Series II-D Bonds will be used for the acquisition, construction and installation of the Project;