



**DEPARTMENT OF JUSTICE
CIVIL ENFORCEMENT DIVISION**

November 4, 2024

VIA U.S. CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Project Manager
Crescent Sanitary District
P.O. Box 265
Crescent, OR 97733-0265

**RE: Clean Water State Revolving Fund Loan Agreement No. R25100, as amended;
Clean Water State Revolving Fund Loan Agreement No. R25102, as amended;
and
Water Fund Water Project Financing Contract No. Y17003, as amended.**

To Whom It May Concern:

We write on behalf of the State of Oregon, acting by and through both its Department of Environmental Quality ("DEQ"), and the Oregon Infrastructure Finance Authority of the Oregon Business Development Department ("OBDD"), regarding the above-referenced loan agreements/financing contracts. More specifically, we write to formally advise the Crescent Sanitary District ("District") of its numerous defaults under the referenced agreements, and of DEQ's and OBDD's intent to seek all available remedies therefor.

This letter serves as DEQ's formal notice that the District is in default under Loan Agreement No.'s R25100 and R25102 for numerous reasons, including but not limited to: (1) failing to pay the obligations assumed thereunder when due (Article 8(A)(1)); (2) becoming insolvent and admitting an inability to pay its debts as they mature (Article 8(A)(3)); (3) failing to charge rates and fees that, together with other revenues, are adequate to produce net revenues each fiscal year equal to the specified percentage of the District's annual debt service obligations (Article 5(B)(1)); and (4) defaulting in the performance or observance of certain covenants or agreements contained in loan documents with other lenders, as discussed more fully below (Article 8(A)(5)).

Pursuant to the Loan Agreements' terms, DEQ declares the outstanding loan amounts under each of the Loan Agreements, including any unpaid accrued interest and/or fees, immediately due and payable. As of November 4, 2024, the amounts now due and payable are as follows:

Loan Agreement R25100

Principal:	\$3,439,888.00
Interest:	\$67,219.58
Fees:	\$21,582.00
Total:	\$3,528,689.58

Loan Agreement R25102

Principal:	\$857,572.00
Interest:	\$9,622.33
Fees:	\$5,380.00
Total:	\$872,574.33

Interest continues to accrue under Loan Agreement R25100 at the rate of \$146.08 per day, and under Loan Agreement R25102 at the rate of \$20.91 per day, until paid in full. Combined, the amounts due and payable to DEQ as of November 4, 2024 total \$4,401,263.91, with interest accruing at the rate of \$166.99 per day thereafter.

This letter also serves as OBDD's formal notice that the District is in default under Water Fund Water Project Financing Contract No. Y17003 for several reasons, including but not limited to: (1) failing to pay obligations assumed under any other loan made by the State of Oregon (Section 9(B))¹; (2) becoming insolvent and admitting an inability to pay its debts as they become due (Section 9(D)(3)); and (3) failing to charge rates and fees that, together with other revenues, are adequate to produce net revenues each fiscal year equal to the specified percentage of the District's annual debt service obligations (Exhibit B, Section B(4)). Pursuant to the Contract's terms, OBDD declares the outstanding loan amount, including any unpaid accrued interest and/or fees, immediately due and payable. As of November 4, 2024, the amount now due and payable is as follows:

Financing Contract No. Y17003

Principal:	\$968,305.00
Interest:	\$21,855.55
Total:	\$990,160.55

Interest continues to accrue under Financing Contract No. Y17003 at the rate of \$30.48 per day, until paid in full.

On or before December 4, 2024, the District must either: (i) pay the above amounts (collectively, the "Indebtedness") in full; or (ii) present DEQ and OBDD with a written plan by which it proposes to pay off the Indebtedness in full ("Proposed Repayment Plan" or "Plan"). Any Proposed Repayment Plan must include, at a minimum, a date certain by which the District will begin repaying the Indebtedness and the period over which the Indebtedness will be repaid.

DEQ and OBDD reserve the right to reject a Proposed Repayment Plan in whole or in part, and any willingness on DEQ's/OBDD's part to entertain any Proposed Repayment Plan presented by the District is not and shall not be construed as a waiver of DEQ's/OBDD's rights under the various agreements, or to strictly enforce the same in accordance with their terms. No Proposed Repayment Plan is effective until reduced to a written agreement that is: (i) in a form and of substance acceptable to DEQ and/or OBDD in their sole discretion; and (ii) executed by DEQ and/or OBDD, as appropriate.

Cont'd.

¹ To wit: Loan Agreement No.'s R25100 and R25102.

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If the District has any questions about the above, please direct the same to the undersigned, and refrain from any direct contact on the subject matter discussed herein with any DEQ or OBDD employee, agent, or other representative.

Sincerely,

s/ Andrew T. Reilly

Andrew T. Reilly
Senior Assistant Attorney General

cc: Clients
Brenda Ashcraft, Office Mgr. (via e-mail only [info@crescentsanitarydistrict.org])