

A RESOLUTION OF THE CITY OF LEBANON )  
AUTHORIZING THE EXECUTION AND )  
DELIVERY OF A FINANCING AGREEMENT, ) RESOLUTION NO. 9  
DECLARING INTENT TO REIMBURSE ) for 1998  
EXPENDITURES, AND RELATED MATTERS. )

WHEREAS, the Council of the City of Lebanon, Oregon (the "City") finds:

A. In November, 1997 the City borrowed \$150,000 from Key Bank to finance certain improvements to city hall (the "Outstanding Indebtedness"); and

B. The City now desires to make additional improvements to city hall and to borrow funds to finance such improvements; and

C. The City also desires to refinance the Outstanding Indebtedness; and

D. The City is authorized pursuant to its charter and the Constitution and laws of the State of Oregon, specifically Oregon Revised Statutes Section 271.390 (the "Act") to enter into financing agreements to finance any real or personal property that the council determines is needed; and

E. It is in the best interest of the City to authorize and enter into a financing agreement to finance the improvements to city hall (the "Project"), to refinance the Outstanding Indebtedness and to pay all costs incidental thereto; and

F. The City anticipates incurring expenditures ("Expenditures") to finance the costs of the Project and wishes to declare its official intent to reimburse itself for the Expenditures made on the Project from the proceeds of obligations, the interest on which shall be excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"); and

G. It is in the best interest of the City to enter into the financing agreement with Key Bank National Association (the "Bank").

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LEBANON, OREGON, AS FOLLOWS:

1. Authorization. The Council hereby authorizes the execution and delivery of a financing agreement (the "Agreement") to finance the Project and to refinance the Outstanding Indebtedness, and to pay all costs incidental thereto. The aggregate principal amount of the Agreement shall not exceed \$200,000. The true interest cost of the Agreement shall not exceed six and one-half percent (6.50%) per annum.

2. Payments and Security. Payments due under the Agreement (the "Payments") shall be full faith and credit obligations of the City and shall not be subject to annual appropriation. The City shall use all taxing power available to it under current law to generate funds sufficient to permit the City to make the Payments. The City hereby covenants to deposit in a debt service account amounts sufficient to make payments as provided in the Agreement. In addition, the City is authorized to amend the existing deed of trust or grant a new deed of trust on the Project to secure its obligations under the Agreement and to pledge any revenues from a foreclosure under such deed of trust.
3. Designation of Authorized Representative. Pursuant to ORS 288.155(6)(a), the City hereby authorizes the City Administrator or the Finance Director or any designee of the Council (the "Authorized Representative") to act on behalf of the City and determine the remaining terms of the Agreement as specified in Section 4.
4. Delegation of Final Terms of the Agreement and Additional Documents. The authorized Representative is hereby authorized, on behalf of the City, to:
  - a. establish the dated date, interest payment dates, interest rates (not to exceed the interest cost stated in Section 1 of this Resolution), the principal maturities and final principal amount, not to exceed \$200,000; and to establish prepayment provisions for the Payments;
  - b. prepare the Agreement which the Authorized Representative determines to be in the best interests of the City, and to execute and deliver the Agreement; and
  - c. enter into any other agreements and to execute any other certificates or documents, and take any actions, which are necessary to finance the Project in accordance with this Resolution.
5. Declaring Intent to Reimburse. The City hereby declares its official intent to reimburse itself with proceeds of the Agreement for any of the expenditures incurred by it prior to the execution of the Agreement.
6. Maintenance of Tax-Exempt Status. The City hereby covenants for the benefit of the Bank to use the Agreement proceeds and the Project financed with the Agreement proceeds, and to otherwise comply with all provisions of the Internal Revenue Code of 1986, as amended (the "Code") which are required for the interest component of the Payments to be excluded from gross income for federal income tax purposes, as provided in the Agreement. The City makes the following specific covenants with respect to the Code:
  - i. The City will not take any action or omit any action if it would cause the Agreement to become an arbitrage bond under Section 148 of the Code.

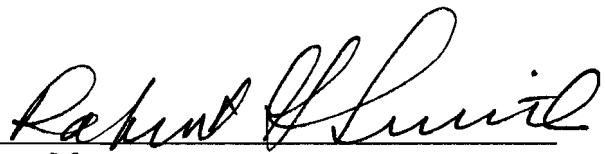
- ii. The City shall operate the Project financed with the Agreement so that the Agreement does not become a private activity bond within the meaning of Section 141 of the Code.
- iii. The City shall comply with appropriate reporting requirements.
- iv. The City shall pay, when due, all rebates and penalties with respect to the Agreement, if any, which are required by Section 148(f) of the Code.

The covenants contained in this Section 6 and any covenants in the closing documents for the Agreement shall constitute contracts with the Bank, and shall be enforceable by them. The Authorized Representative may enter into covenants on behalf of the City to protect the tax-exempt status of the Agreement.

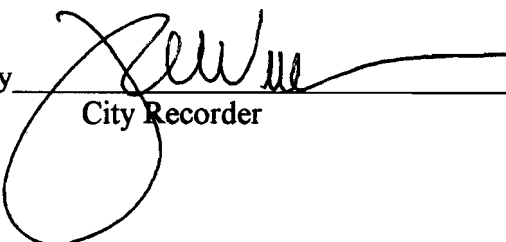
- 7. Bank Designation. The City designates the Agreement as a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Code. The City does not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations during calendar year 1998.
- 8. Appointment of Special Counsel. The City hereby appoints Mersereau & Shannon, LLP as special counsel for the issuance of the Agreement,

ADOPTED by the Council of the City of Lebanon, Oregon, this 6th day of May, 1998.

CITY OF LEBANON, OREGON

By   
Mayor

ATTEST:

By   
City Recorder