

A RESOLUTION OF THE CITY OF LEBANON,)
 OREGON AUTHORIZING THE ISSUANCE,) Resolution No. 22
 SALE, EXECUTION AND DELIVERY OF TAX) for 1998
 AND REVENUE ANTICIPATION NOTES,)
 SERIES 1998, IN AN AMOUNT NOT TO)
 EXCEED \$800,000, AND RELATED MATTERS.)

THE COUNCIL OF THE CITY OF LEBANON, OREGON (the "City"), finds:

SECTION 1: FINDINGS

The Council of the City finds:

1. The City will adopt a budget for the 1998-1999 fiscal year, providing for the collection of ad valorem property tax revenues in an amount not less than \$1,976,766. Oregon law permits the issuance of tax and revenue anticipation notes in an amount which does not exceed 80% of budgeted and unpledged tax revenues which the City estimates will be received during said fiscal year. The City will file a Notice of Levy with the Assessor of Linn County, Oregon, levying not less than \$2,221,086 as ad valorem property taxes of the City for the 1998-1999 fiscal year.
2. The City will provide for the issuance of tax and revenue anticipation notes in its duly adopted budget for fiscal year 1998-1999.
3. It is in the best interests of the City to borrow money with the foregoing limitations, to meet current expenses by issuing its Tax and Revenue Anticipation Notes, Series 1998, as provided in this resolution. Such notes shall not be issued prior to the beginning of, and shall mature not later than, the end of the fiscal year in which such taxes or other revenues are expected to be received.

SECTION 2: NOTES AUTHORIZED

For the above purposes, the City shall issue an aggregate principal amount of not to exceed \$800,000 Tax and Revenue Anticipation Notes, Series 1998 (the "Notes") pursuant to ORS 288.165(3). The Notes shall be dated with the date specified by the Authorized Officer, shall mature not later than the end of the fiscal year in which the taxes or other revenues are expected to be received and shall bear interest payable at maturity at a rate to be established by the Authorized Officer, which rate shall not exceed a net effective rate of five percent (5.0%) per annum. The Notes shall be in denominations as specified in consultation with the purchaser of the Notes.

SECTION 3: OPTIONAL PREPAYMENT

The Notes shall be subject to optional prepayment as determined by the Authorized Officer.

SECTION 4: PROVISION FOR PAYMENT OF NOTE AND SPECIAL ACCOUNT

The City covenants to budget and appropriate sufficient funds for the payment of the Notes together with interest thereon to the date of maturity and payment of the Note. The City shall establish a separate Special Account to which the City shall deposit, by June 1, 1999, ad valorem taxes or payment of revenues sufficient to pay the Note on June 30, 1999. Investment earnings, after full funding of principal and interest in the Special Account on or prior to June 1, 1999 may be transferred to the City's general fund. For fiscal year 1998-99 the City shall appropriate as an interest expenditure the interest due on the Notes on June 30, 1999.

SECTION 5: SECURITY

The City's ad valorem property taxes subject to the limits of Article XI, Sections 11 and 11b of the Oregon Constitution and the full faith and credit of the City are hereby irrevocably pledged to the punctual payment of principal of and interest on the Notes.

SECTION 6: SALE OF NOTES, NOTE PURCHASE AGREEMENT AND DISCOUNT

The City Administrator or the Finance Director, or his or her designee (the "Authorized Officer"), is hereby authorized to negotiate with interested parties the sale of the Notes and to execute, on behalf of the City, a purchase agreement providing for the private negotiated sale of the Notes. Any such agreement shall be consistent with the terms hereof and shall allow for a discount of not greater than one percent (1.0%) to the purchaser. The terms of any such purchase agreement shall be binding upon the City when executed by the Authorized Officer.

SECTION 7: DEPOSIT OF PROCEEDS

The Note proceeds received by the City shall be deposited in the general fund of the City.

SECTION 8: FORM OF NOTES

The City may issue the Notes as one or more typewritten Notes. The Notes shall be in the form approved by the Authorized Officer and Bond Counsel.

SECTION 9: EXECUTION

The Notes shall be executed on behalf of the City with the manual signature of the Authorized Officer.

SECTION 10: TAX COVENANTS

The City covenants for the benefit of the owners of the Notes to comply with all provisions of the Internal Revenue Code of 1986, as amended (the "Code") which are required for Note interest to be excluded from gross income for federal income tax purposes, unless the City obtains an opinion of nationally recognized bond counsel that such compliance is not required for the interest paid on the Notes to be so excluded. The City makes the following specific covenants with respect to the Code:

1. The City shall not take any action or omit any action, if it would cause the Notes to become "arbitrage bonds" under Section 148 of the Code and shall pay any rebates to the United States which are required by Section 148(f) of the Code.
2. The City shall not use the proceeds of the Notes in a fashion which would cause the Notes to be "private activity bonds" within the meaning of Section 141 of the Code.
3. The covenants contained in this Section 10 and any covenants in the closing documents for the Notes shall constitute contracts with the owners of the Notes, and shall be enforceable by them.

SECTION 11: OTHER FEDERAL TAX MATTERS

1. The City authorizes the Authorized Officer to designate the Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code if it is determined that the City will not so designate tax-exempt obligations in the current calendar year in an aggregate amount of more than \$10,000,000.
2. The Authorized Officer may enter into covenants on behalf of the City to protect the tax-exempt status of the Notes.

SECTION 12: AUTHORITY OF AUTHORIZED OFFICER

The Authorized Officer is hereby authorized to enter into any agreements and to execute any documents or certificates which may be required to issue, sell and deliver the Notes in accordance with this Resolution.

SECTION 13: APPOINTMENT OF BOND COUNSEL

Mersereau & Shannon, LLP is hereby appointed as bond counsel to the City in connection with the issuance of the Notes.

ADOPTED by the Council of the City at a regular meeting this 24th day of June, 1998.

CITY OF LEBANON, OREGON

By: Robert Hunt
Mayor

ATTEST:

By: [Signature]
City Recorder