

A RESOLUTION OF THE CITY OF)
LEBANON, OREGON AUTHORIZING)
THE ISSUANCE AND NEGOTIATED)
SALE OF WASTEWATER REVENUE)
BONDS, SERIES 2000)

RESOLUTION NO. 37
for 1999

WHEREAS, the City of Lebanon, Oregon (the "City") desires to undertake the construction of certain improvements to the City's wastewater collection and disposal system (the "Improvements"); and

WHEREAS, the City finds it desirable to obtain authority to issue wastewater revenue bonds (the "Series 2000 Bonds") pursuant to the Uniform Revenue Bond Act (ORS 288.805 to 288.945), in an amount not to exceed \$3,500,000 to finance the construction of the Improvements, to fund the Reserve Account so that the Reserve Account Requirement is satisfied and to pay the costs of issuance of the Bonds and to pledge to the repayment of the Bonds the Net Revenues of the City's wastewater collection and disposal system (the "Wastewater System"); and

WHEREAS, pursuant to ORS 288.825(2) the City has caused to be prepared a plan showing that the estimated Net Revenues of the Wastewater System are sufficient to pay the outstanding debt secured by the Net Revenues and the estimated debt to be incurred to finance the cost of the Improvements and the costs of issuance of such debt; and

WHEREAS, on June 29, 1990 the City issued its Wastewater Revenue Bonds, Series 1990 (the "Series 1990 Bonds") pursuant to Ordinance No. 2076 for 1990, enacted June 25, 1990 (the "Master Resolution"), in the aggregate principal amount of \$4,508,869.95 and the proceeds were expended to upgrade the City's wastewater collection and treatment system and to pay the costs of issuance of the Series 1990 Bonds; and

WHEREAS, Section 14 of the Master Resolution authorizes the issuance of Additional Bonds for the purpose of providing funds to acquire, construct, reconstruct, install or replace any equipment, facilities, additions, betterments or other capital improvements to the Wastewater System upon compliance with the following conditions:

(1) the principal of and interest on the Additional Bonds shall be payable out of the Debt Service Activity and the requirements for Reserve Account payments in Section 12 of the Master Resolution shall be met;

(2) prior to delivery of any Additional Bonds, the City shall have on file in the office of the City Administrator or the Finance Director a certificate of a professional engineer or certified public accountant (which may be the City Engineer or the Finance Director), dated not earlier than ninety (90) days prior to the date of delivery of such Additional Bonds, showing that the Net Revenue determined

and adjusted as hereafter provided for each calendar or fiscal year after the issuance of such Additional Bonds (the "Adjusted Net Revenue") will equal at least 1.25 times the amount required in any such year for the payment of the principal of and interest on the Bonds and Additional Bonds then outstanding, including the Additional Bonds proposed to be issued. With respect to any term bonds, the payment of which is provided for by a mandatory schedule of sinking fund deposits into the Debt Service Activity, the words "principal of and interest on all the Bonds and Additional Bonds" in the preceding sentence shall be deemed to exclude from "principal" the term bond maturity payment, and from "interest" the interest on such term bonds subsequent to the date of each respective mandatory sinking fund deposit, and to include in lieu thereof the mandatory sinking fund deposits as of the date required and interest on term bonds provided for by such deposits only to the dates of the respective deposits.

The Adjusted Net Revenue shall be the Net Revenue for a period of any twelve (12) consecutive months out of the twenty-four (24) months immediately preceding the date of delivery of such proposed Additional Bonds as adjusted by such engineer or accountant to take into consideration changes in Net Revenue estimated to occur under one or more of the following conditions for each year after such delivery for so long as any Bonds and Additional Bonds, including the proposed Additional Bonds to be issued, shall be Outstanding:

(i) any increase or decrease in Net Revenue which would result if any change in rates and charges adopted prior to the date of such certificate and subsequent the beginning of such twelve (12) month period had been in force during the full twelve (12) month period;

(ii) any increase or decrease in Net Revenue estimated by such engineer or accountant to result from any additions, betterments and improvements to and extensions of any facilities of the Wastewater System which (a) became fully operational during such twelve (12) month period, (b) were under construction at the time of such certificate, or (c) will be constructed from the proceeds of the Additional Bonds to be issued; and/or

(iii) the additional Net Revenue which would have been received if any customers added to the Wastewater System prior to the date of such certificate and subsequent to the beginning of such twelve (12) month period were customers for the entire period.

Such engineer or accountant shall base the certification upon, and the certificate shall have attached thereto, audited financial statements of the Wastewater System (unless such an audit is not available for a twelve-month period within the preceding twenty-four months), then the financial statements shall be certified by the Finance Director, showing income and expense for the period.

The certificate of such engineer or accountant shall be conclusive and the only evidence required to show compliance with the provisions and requirements of this section; and

WHEREAS, on June 1, 1993 the City issued its Wastewater Revenue Refunding Bonds, Series 1993 (the "Series 1993 Bonds) pursuant to Section 14 of the Master Resolution and Resolution No. 10 for 1993, adopted April 28, 1993 (the "1993 Resolution"), in the aggregate principal amount of \$4,215,000 and the proceeds were expended for the purpose of providing funds sufficient to advance refund the callable portion of the outstanding Series 1990 Bonds. The non-callable portion of the Series 1990 Bonds and the Series 1993 Bonds are collectively referred to herein as the "Prior Bonds"; and

WHEREAS, the City desires to issue the Series 2000 Bonds as Additional Bonds under Section 14 of the Master Resolution; and

WHEREAS, United States Treasury Regulation Section 1.150-2 sets forth certain requirements that must be complied with in order for the reimbursement with proceeds of bonds to qualify as an expenditure of bond proceeds; and

WHEREAS, capitalized terms not defined herein shall have the meaning assigned to such terms in the Master Resolution, unless the context clearly requires otherwise.

NOW, THEREFORE, the City of Lebanon, Oregon, acting by and through its Common Council, does resolve as follows:

Section 1. Issuance of Series 2000 Bonds. The City hereby authorize the issuance and negotiated sale of not to exceed \$3,500,000 Wastewater Revenue Bonds, Series 2000 Bonds for the purpose of financing the costs of the Improvements, funding the Reserve Account so that the Reserve Account Requirement is satisfied, and paying the cost of issuance of the Series 2000 Bonds and related costs. The Series 2000 Bonds shall not be general obligations of the City or a charge upon the tax revenues of the City. The Series 2000 Bonds shall be payable solely from the Net Revenue of the Wastewater System and such funds shall be pledged to the payment of principal of and interest on the Series 2000 Bonds on a parity with the Prior Bonds. Such revenues are estimated to be sufficient to pay the debt service on the Series 2000 Bonds and the Prior Bonds.

Section 2. Notice of Intent to Issue Revenue Bonds. The City Administrator or Finance Director is authorized and directed to publish a Notice of Intent to Issue Revenue Bonds, describing the purposes for which the Bonds are to be issued, in substantially the form attached hereto as Exhibit A, in one issue of the Lebanon Express, a newspaper of general circulation within the geographical boundaries of the City. The Bonds may not be sold at public competitive bid, nor shall a purchase agreement be executed for a private negotiated sale, for at least sixty (60) days following publication of the Notice of Intent to Issue Revenue Bonds.

Section 3. Filing of Petitions. Voters residing within the geographical boundaries of the City may file a petition with the City asking to have the question of whether to issue the Bonds referred to a vote. If the City receives petitions containing valid signatures of the City's electors totaling not less than five percent (5%) of

the City's electors, the question of issuing the Bonds shall be placed on the ballot at the next legally available election date. In the event the City receives such a petition within sixty (60) days from publication of the Notice of Intent to Issue Revenue Bonds, the Bonds shall not be sold until this Resolution is approved by a majority of the electors of the City voting on this Resolution.

Section 4. Terms of Series 2000 Bonds. The Series 2000 Bonds shall be serial negotiable bonds, shall be issued in fully registered form, shall be numbered sequentially beginning with number R-1, shall be in denominations of \$5,000 each, or integral multiples thereof, and shall bear interest at a true effective rate not to exceed seven and one-half percent (7.5%) per annum, payable semiannually. The Series 2000 Bonds shall be sold at not less than ninety seven percent (97.0%) of par value. The City authorizes the Finance Director or the City Administrator (the "Authorized Representative") to determine and designate the final terms for the Series 2000 Bonds pursuant to Section 16 hereof.

Section 5. Title and Execution of Series 2000 Bonds. The Series 2000 Bonds shall be entitled "City of Lebanon, Oregon Wastewater Revenue Bonds, Series 2000", or such other term approved by the Authorized Representative and shall bear the manual or facsimile signature of the Mayor of the City and the manual or facsimile signature of the City Recorder. The Series 2000 Bonds may be initially issued in book-entry form as a single typewritten bond for each single maturity and issued in the registered name of the nominee of The Depository Trust Company, New York, New York. If issued in book-entry-only form, the Series 2000 Bonds will be issued without certificates being made available to the bond holders.

Section 6. Security. Pursuant to Oregon Revised Statutes 288.594, the City hereby pledges and creates a lien on the Net Revenue on the same priority and standing as has been pledged to the Prior Bonds equally and ratably to the payment of the principal, interest and premium, if any, on all Bonds, including the Series 2000 Bonds.

Section 7. Rate Pledge and Covenant. The City covenants to fix, maintain and collect rates and charges for the use of the services and facilities and all wastewater collected by the Wastewater System and the City shall adjust such rates and charges from time to time so that:

(1) the Revenue of the Wastewater System derived therefrom, will at all times be sufficient (a) to pay the Costs of Maintenance and Operation, (b) to make any payments required to be made on account of the Prior Bonds, the Series 2000 Bonds and any Additional Bonds as and when the same shall become due and payable, (c) to make when due all payments which the City is obligated to make into the Reserve Account and all other payments which the City is obligated to make pursuant to this Resolution or the Master Resolution, and (d) to pay all governmental charges lawfully imposed on the Wastewater System or the revenue therefrom and any and all other amounts which the City may now or hereafter become obligated to pay from the Revenue of the Wastewater System by law or contract; and

(2) the Net Revenue in each fiscal year shall equal at least 1.25 times such year's Annual Debt Service on the Prior Bonds, the Series 2000 Bonds and any Additional Bonds then Outstanding.

Section 8. General Covenants. The City hereby affirms for the benefit of the Registered Owners of the Series 2000 Bonds and all Outstanding Bonds those covenants which are contained in the Master Resolution.

Section 9. Reserve Account. The City shall deposit into the Reserve Account from the proceeds of the Series 2000 Bonds, or from any other monies lawfully available therefor, such that there will be on deposit in the Reserve Account an amount equal to the Reserve Account Requirement.

Section 10. Covenant as to Arbitrage. The proceeds of the Series 2000 Bonds shall be used and invested in such manner that the Series 2000 Bonds shall not become "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations. The City covenants that, within its lawful powers, it will not do, and will refrain from doing, anything in the issuance of the Series 2000 Bonds and in the investment and expenditure of the proceeds thereof which would result in the interest on the Series 2000 Bonds becoming taxable for federal income tax purposes.

Section 11. Designation as Qualified Tax-Exempt Obligations. The City hereby designates the Series 2000 Bonds for purposes of paragraph (3) of Section 265(b) of the Code as "qualified tax-exempt obligations" and covenants that the Bonds do not constitute private activity bonds as defined in Section 141 of the Code, and that not more than \$10,000,000 aggregate principal amount of obligations, the interest on which is for federal income tax purposes (excluding, however, private activity bonds other than qualified 501(c)(3) bonds) including the Bonds, have been or shall be issued by the City, including all subordinate entities of the City, if any, during the calendar year 2000.

Section 12. Reimbursement Intent. It is the reasonable official intent of the City to reimburse itself for the capital expenditures associated with the Improvements with the proceeds of such bonds in the principal amount not to exceed \$3,500,000. This declaration of official intent is given pursuant to United States Treasury Regulations Section 1.150-2.

Section 13. Appointment of Bond Counsel. The City appoints Mersereau & Shannon, LLP to serve as Bond Counsel in connection with the issuance of the Bonds.

Section 14. Appointment of Underwriter. The City appoints Seattle-Northwest Securities Corporation to serve as Underwriter in connection with the issuance of the Bonds.

Section 15. Appointment of Expert Advisor. The Authorized Representative is authorized to designate an Expert Advisor to evaluate the terms of the negotiated sale of the Series 2000 Bonds.

Section 16. Delegation for the Establishment of Terms and Negotiated Sale of the Series 2000 Bonds. The Authorized Representative is hereby authorized to:

- a. establish the maturity and interest payment dates, principal amounts, optional and/or mandatory redemption provisions, interest rates, denominations and all other terms for the Series 2000 Bonds;

- b. negotiate the terms under which the Series 2000 Bonds shall be sold, enter into a Bond Purchase Agreement for the sale of the Series 2000 Bonds, and execute and deliver that Bond Purchase Agreement;
- c. approve and authorize the preparation and distribution of preliminary and final official statements for the Series 2000 Bonds;
- d. negotiate, execute and deliver a Continuing Disclosure Certificate and provide such information as may be required pursuant to such Continuing Disclosure Certificate from time to time;
- e. contract with an expert advisor for purposes of evaluating the terms of the negotiated sale, prior to the sale of the Series 2000 Bonds;
- f. take such actions as are necessary to qualify the Series 2000 Bonds for the book-entry-only system of Depository Trust Company;
- g. approve, execute and deliver the Series 2000 Bond closing documents and certificates;
- h. enter into covenants regarding the use of proceeds of the Series 2000 Bonds and the projects financed with the Series 2000 Bonds, to maintain the tax-exempt status of the Series 2000 Bonds; and
- i. Execute and deliver a certificate specifying the action taken pursuant to this Section 16, and any other certificates, documents or agreements that the Authorized Representative determines are desirable to issue, sell and deliver the Series 2000 Bonds.

Section 17. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Series 2000 Bonds, the provisions of this Resolution and the Master Resolution shall be part of the contract of the City with the Registered Owners of the Series 2000 Bonds and shall be deemed to be and shall constitute a contract between the City and the Registered Owners. The pledges, covenants and agreements contained herein and in the Master Resolution shall be for the equal benefit, protection and security of the Registered Owners, all of which shall be of equal rank without preference, priority or distinction of any of such Series 2000 Bonds over any other thereof.

Section 18. Continuing Disclosure. The City covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate to be negotiated with the Underwriter. Notwithstanding any other provision of this Resolution, failure by the City to comply with the Continuing Disclosure Certificate will not constitute an event of default; however, any Registered Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this section and the Continuing Disclosure Certificate.

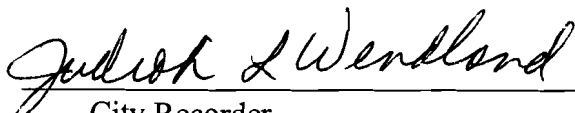
Section 19. Provisions of Master Resolution Incorporated. The terms, provisions and covenants of the Master Resolution not inconsistent with the provisions of this resolution are incorporated herein by reference as if each such term, provision and covenant was fully set forth herein.

Passed by the Common Council of the City of Lebanon by a vote of 4 for and 0 against, and approved by the Mayor this 8th day of December, 1999.



Mayor

ATTEST:



City Recorder

EXHIBIT A

CITY OF LEBANON, OREGON NOTICE OF INTENT TO ISSUE REVENUE BONDS

NOTICE IS HEREBY GIVEN that on December 8, 1999 the Common Council of the City of Lebanon, Oregon (the "City") adopted Resolution No. 37 for 1999 authorizing the issuance of wastewater revenue bonds (the "Bonds") as authorized by Oregon Revised Statutes 288.805 to 288.945, inclusive, in an amount not to exceed \$3,500,000 for the purpose of financing the cost of certain additions and improvements to the City's wastewater collection and disposal system and to pay the costs of issuance of the Bonds.

Principal of and interest on the Bonds shall be paid solely from the unobligated net revenues of the City's wastewater collection and disposal system and shall not be a general obligation of the City nor a charge upon the tax revenues of the City.

Voters residing within the City may file a petition with the City within sixty (60) days from the publication of this notice asking to have the question of whether to issue the Bonds referred to a vote. If not less than five percent (5%) of the City's registered voters sign petitions, the question of issuing such Bonds shall be placed on the ballot at the next legally available election date. If sufficient petitions are not filed, the City may proceed to issue the Bonds.

Resolution No. 37 for 1999 and the plan showing that the estimated net revenues of the wastewater collection and disposal system are sufficient to pay the estimated debt to be incurred is available for inspection at the office of the Finance Director, City Hall, 925 Main Street, Lebanon, Oregon.

CITY OF LEBANON, OREGON