

A RESOLUTION OF THE URBAN RENEWAL)
 AGENCY OF THE CITY OF LEBANON,) RESOLUTION NO. 5
 OREGON AUTHORIZING FINANCING IN) for 1999
 THE AMOUNT NOT TO EXCEED \$625,000)
 FOR PROJECTS IN THE NORTHWEST)
 LEBANON URBAN RENEWAL AREA)

WHEREAS, the Urban Renewal Agency of the City of Lebanon, Oregon (the "Agency") finds it desirable to incur an indebtedness to pay the costs of redevelopment projects within the Northwest Lebanon Urban Renewal Area (the "Area") which are described in the Northwest Lebanon Urban Renewal Area Plan (the "Plan") of the Agency; and

WHEREAS, the Agency will certify tax increment revenues of the Northwest Lebanon Urban Renewal Area for collection in fiscal year 1999-2000 in an amount not less than \$725,000.

WHEREAS, on June 26, 1998 the Agency issued its Northwest Lebanon Urban Renewal Area Financing Agreement and Note, Series 1998 in the principal amount of \$650,000 (the "Series 1998 Note") which matures June 30, 1999, pursuant to its Resolution No. 12 of 1998 (the "1998 Resolution") and pledged the Tax Increment Revenues as security for the repayment of the Series 1998 Note..

WHEREAS, in Section 4(c) of the 1998 Resolution, the Agency covenanted that it would not incur any other form of indebtedness secured by a greater or equal priority lien on the Tax Increment Revenues during the period the Series 1998 Note is outstanding. Key Bank National Association, owner of the Series 1998 Note and purchaser of the Series 1999 Note, has agreed to waive such covenant with respect to the Series 1999 Note.

NOW, THEREFORE, THE URBAN RENEWAL AGENCY OF THE CITY OF LEBANON, OREGON RESOLVES:

Section 1. Definitions. For purposes of this resolution, the following capitalized terms shall have the following meanings unless the context clearly requires otherwise:

"1998 Resolution" means the Agency's Resolution No. 12 for 1998 authorizing the issuance of the Series 1998 Note.

"Annual Debt Service" means the amount in a given fiscal year necessary for the payment of the principal of and interest on the Series 1999 Note.

"Area" means the Northwest Lebanon Urban Renewal Area which is described in the Plan.

"City" means the City of Lebanon, Oregon, a city duly organized and existing under and by virtue of the laws of the State of Oregon and the Charter of the City.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Finance Director" means the Finance Director of the City.

"Lender" means the lender of the Series 1999 Note.

"Plan" means the Agency's Urban Renewal Plan for the Northwest Lebanon Urban Renewal Area.

"Series 1998 Note" means the Agency's Northwest Lebanon Urban Renewal Area Financing Agreement and Note, Series 1998 in the principal amount of \$650,000.

"Series 1999 Note" means the Agency's Northwest Lebanon Urban Renewal Area Financing Agreement and Note, Series 1999 in the principal amount of \$625,000 authorized by this Resolution.

"Tax Increment Revenues" means all ad valorem tax revenues from property within the Area which are attributable to the increase in true cash value of property within the Area pursuant to section 1c, Article IX of the Oregon Constitution and Oregon Revised Statutes, Chapter 457, all taxes levied in connection with the Plan pursuant to Article XI, Section 11(16) and all earnings thereon while the Tax Increment Revenues are held in the Tax Increment Fund.

"Tax Increment Fund" means the fund established under ORS 457.440(6)(b) to hold the Tax Increment Revenues.

Section 2. Authorization of Series 1999 Note. The Agency is hereby authorized to incur the Series 1999 Note in an aggregate principal amount not to exceed \$625,000 to bear interest at an effective true interest cost of not more than six percent (6.0%), for a term not to exceed two years, to be dated and mature on the dates and in the years and annual principal amounts as determined by the Finance Director.

Section 3. Use of Proceeds. The proceeds of the Series 1999 Note shall be used in accordance with Chapter 457 of the Oregon Revised Statutes to finance publicly owned facilities in the Area and to pay any costs incurred in connections with the Series 1999 Note.

Section 4. Security for the Series 1999 Note. (a) The Series 1999 Note shall not be a general obligation of the City, the Agency or Linn County, Oregon. The Series 1999 Note and the interest thereon shall be payable solely from (i) the Tax Increment Revenues, and (ii) the proceeds of the Series 1999 Note, all as provided herein. The Agency hereby irrevocably pledges (y) the Tax Increment Revenues, and (z) to the extent that the Tax Increment Revenues are insufficient to pay debt service on the Series 1999 Note when due, any unexpended proceeds of the Series 1999 Note. The pledge of the Tax Increment Revenues shall be on an equal priority lien with the Series 1998 Note.

(b) The Agency covenants and agrees that, to the extent it is legally authorized to do so, it will certify to the county assessor, for a each fiscal year the Series 1999 Note is outstanding, an amount equal to the Annual Debt Service.

(c) The Agency hereby covenants and agrees that it will not incur any other form of Series 1999 Note secured by a greater or equal priority lien on the Tax Increment Revenues during the period either the Series 1998 Note or the Series 1999 Note is outstanding.

Section 5. Events of Default and Remedies. (a) The Agency hereby finds and determines that the certification each fiscal year of Tax Increment Revenues in an amount which is not less than Annual Debt Service is essential to the payment and security of the Series 1999 Note, and the failure or refusal of the Agency to perform the covenants and obligations contained in this Resolution will impair the security for the Series 1999 Note.

(b) The following shall constitute "Events of Default":

1. If the Agency shall fail to pay any Annual Debt Service when due;
2. Except as provided in Section 5(c), if the Agency shall default in the observance and performance of any other of its covenants, conditions and agreements in this Resolution, and such default continues for ninety days after the Agency receives a written notice, specifying the Event of Default and demanding the cure of such default from the Lender; or
3. Any event described as an "Event of Default" in a financing agreement or note purchase agreement, if any, related to the Series 1999 Note.

(c) It shall not constitute an Event of Default Under Section 5(b)(2) or (3) if the default cannot practicably be remedied within ninety days after the Agency receives notice of the default, so long as the Agency promptly commences reasonable action to remedy the default after the notice is received, and continues reasonable action to remedy the default until the default is remedied.

(d) If an Event of Default occurs, the Lender may exercise the remedies specified (1) by the Finance Director pursuant to Section 11 hereof, (2) in a financing agreement or note purchase agreement, if any, related to the Series 1999 Note, and (3) in the Series 1999 Note .

(e) The Agency covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the Agency and all other records relating to the Tax Increment Revenues shall at all reasonable times be subject to inspection by the Lender and its agents.

(f) No delay or omission of the Lender to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or to be an acquiescence therein; and every power and remedy given by Section 5(d) to the Lender may be exercised from time to time and as often as may be deemed expedient by the Lender.

(g) The Lender may waive any past default under this Resolution with respect to the Series 1999 Note and its consequences, except a default in the payment of the principal of or interest on the Series 1999 Note. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

(h) No remedy by the terms of the Resolution conferred upon or reserved to the Lender is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Resolution; however, in no event, shall the Series 1999 Note be subject to acceleration.

Section 6. Amendment (a) This resolution may be amended or supplemented without the consent of the Lender for any one or more of the following purposes:

(i) To add to the covenants and agreements of the Agency contained in this resolution any other covenants or agreements for the benefit of the Lender thereafter to be observed by the Agency or to surrender any right or power herein reserved to or conferred on the Agency provided that, if the interest on the Series 1999 Note is excluded from gross income for federal income taxation, the Agency obtains an opinion of nationally recognized bond counsel that such amendment will not cause interest on the Series 1999 Note to be includable in gross income for federal income tax purposes; or

(ii) To cure any ambiguity or formal defect provided that, if the interest on the Series 1999 Note is excluded from gross income for federal income taxation, the Agency obtains an opinion of nationally recognized bond counsel that such amendment will not cause interest on the Series 1999 Note to be includable in gross income for federal income tax purposes.

(b) This resolution may be amended for any other purpose only upon consent of the Lender.

Section 7. Contract with Registered Owners of Series 1999 Note. In consideration of the purchase and acceptance of the Series 1999 Note by the Lender, the provisions of this Resolution and the Series 1999 Note shall be deemed to be and shall constitute a contract between the Agency and the owners thereof. The covenants and agreements to be performed by or on behalf of the Agency shall be for the equal benefit, protection and security of the owners of all and any portion of the Series 1999 Note, all of which shall be of equal rank without preference, priority, or distinction among the Series 1999 Note, except as expressly provided pursuant to this Resolution.

Section 8. Covenant as to Arbitrage. The proceeds of the Series 1999 Note shall be used and invested in such manner that the Series 1999 Note shall not become "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, (the "Code") and the regulations issued thereunder. The Agency covenants that, within its lawful powers, it will not do, and will refrain from doing, anything in the issuance of the Series 1999 Note and in the investment and expenditures of the proceeds thereof which would result in the interest on the Series 1999 Note becoming taxable for federal income tax purposes.

Section 9. Designation as Qualified Tax-Exempt Obligations. The Agency hereby designates the Series 1999 Note for purposes of paragraph (3) of Section 265(b) of the Code as "qualified tax-exempt obligations" and covenants that the Series 1999 Note does not constitute a private activity bond 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 excludable under Section 103(a) of the Code from gross income for federal income tax purposes (excluding, however, private activity bonds other than qualified 501(c)(3) bonds) including the Series 1999 Note, have been or shall be issued by the Agency, including all subordinate entities of the Agency, if any, during the calendar year 1999.

Section 10. Exception for Small Governmental Units. The Agency finds and determines that the Series 1999 Note complies with the statutory requirements of Section 148(f)(4)(C) of the Code and the aggregate face amount of all tax-exempt obligations which will be issued by the Agency during the calendar year 1999 is not reasonably expected to exceed \$5,000,000.

Section 11. Authorized Representative. The Finance Director is hereby authorized, on behalf of the Agency:

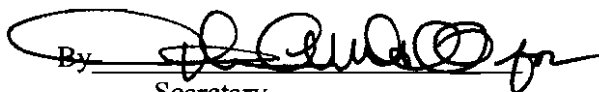
- (a) To determine the dates, amounts and interest rates applicable to the Series 1999 Note, the mandatory or optional prepayment provisions and all other terms of the Series 1999 Note;
- (b) To approve of and distribute any financial or other disclosure information regarding the Agency, the Area and the Plan;
- (c) To designate the Lender for the Series 1999 Note;
- (d) To execute a financing agreement or note purchase agreement related to the Series 1999 Note;
- (e) To execute the Series 1999 Note; and
- (f) To determine the remedies if an Event of Default occurs and to make covenants with the Lender and execute all documents on behalf of the Agency and to take any other action which is desirable in order to incur the Series 1999 Note in accordance with this Resolution.

Section 12. Special Counsel. The Agency appoints Mersereau & Shannon, LLP to serve as Special Counsel to the Agency in connection with the incurrence of the Series 1999 Note.

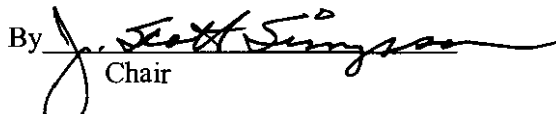
ADOPTED this 27th day of January, 1999.

URBAN RENEWAL AGENCY OF THE
CITY OF LEBANON

ATTEST:

By 
Secretary

Thomas A. McHill

By 
Chair
J. Scott Simpson