

A RESOLUTION OF THE CITY OF)
 LEBANON, OREGON AUTHORIZING)
 THE ISSUANCE AND NEGOTIATED)
 SALE OF WASTEWATER REVENUE)
 REFUNDING BONDS, SERIES 2003 TO)
 REFUND ALL OF THE OUTSTANDING)
 PRINCIPAL OF THE CITY'S)
 WASTEWATER REVENUE REFUNDING)
 BONDS, SERIES 1993; DESIGNATING)
 AN AUTHORIZED REPRESENTATIVE,)
 BOND COUNSEL AND, UNDERWRITER;)
 AUTHORIZING APPOINTMENT OF A)
 PAYING AGENT, BOND REGISTRAR,)
 ESCROW AGENT AND FINANCIAL)
 ADVISOR; AND AUTHORIZING)
 EXECUTION OF A BOND PURCHASE)
 AGREEMENT.)

RESOLUTION NO. 32
 for 2003

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 (A) providing funds to acquire, construct, reconstruct, install or replace any equipment, facilities, additions, betterments, or other capital improvements to the Wastewater System, and (B) providing funds to refund at or prior to their maturity, any outstanding revenue bonds or other obligations payable from the Revenue of the Wastewater System, and to pledge that payments will be made out of the Revenue of the Wastewater System and into the Debt Service Activity to pay and secure the payment of the principal of and interest on such Additional Bonds on a parity with the payment of the principal of and interest on any Bonds the Outstanding only if at the time of the issuance of any Additional Bonds there is no deficiency in the Debt Service Activity or the Reserve Account and 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 Section 14 of the Master Resolution; 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; and

WHEREAS, on March 17, 2000 the City issued its Wastewater Revenue Bonds, Series 2000 (the "Series 2000 Bonds") pursuant to Section 14 of the Master Resolution in the aggregate principal amount of \$3,320,000 and the proceeds were expended for the purpose of providing funds to make improvements to the Wastewater System; and

WHEREAS, the Series 1993 Bonds are subject to optional redemption on December 1, 2003 at a price of 102% of par in the outstanding principal amount of \$3,840,000; and

WHEREAS, Oregon Revised Statutes 288.165 authorizes cities to issue bonds to refund outstanding obligations. The City is advised that debt service savings may be achieved by refunding all of the outstanding principal of the Series 1993 Bonds; and

WHEREAS, the City desires to issue the Series 2003 Bonds as Additional Bonds under Section 14 of the Master Resolution; 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 2003 Bonds. The City hereby authorize the issuance and negotiated sale of Wastewater Revenue Refunding Bonds, Series 2003 Bonds for the purpose of refunding the Series 1993 Bonds, funding the Reserve Account so that the Reserve Account Requirement is satisfied, and paying the cost of issuance of the Series 2003 Bonds and related costs. The Series 2003 Bonds shall not be general obligations of the City or a charge upon the tax revenues of the City. The Series 2003 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 2003 Bonds. Such revenues are estimated to be sufficient to pay the debt service on the Series 2003 Bonds.

The principal amount of the Series 2003 Bonds shall be in an amount sufficient (a) to pay the purchase price of United States Treasury Obligations (the "Government Obligations") for deposit into the Escrow Deposit Fund pursuant to the Escrow Deposit Agreement to be executed between the City and an Escrow Agent in order to pay the principal of and interest on the Series 1993 Bonds on the

redemption date of December 1, 2003, (b) to fund the Reserve Account so that the Reserve Account Requirement is satisfied, and (c) to pay the costs of issuance of the Series 2003 Bonds.

Section 2. Terms of Series 2003 Bonds. The Series 2003 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 five and one-half percent (5.50%) per annum, payable semiannually. The Series 2003 Bonds shall be sold at not less than ninety percent (90%) 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 2003 Bonds pursuant to Section 17 hereof.

Section 3. Title and Execution of Series 2003 Bonds. The Series 2003 Bonds shall be entitled "City of Lebanon, Oregon Wastewater Revenue Refunding Bonds, Series 2003", 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 2003 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 2003 Bonds will be issued without certificates being made available to the bond holders.

Section 4. 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 Series 2000 Bonds equally and ratably to the payment of the principal, interest and premium, if any, on all Bonds, including the Series 2000 Bonds and Series 2003 Bonds.

Section 5. 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 Series 2000 Bonds and Series 2003 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 Series 2000 Bonds and Series 2003 Bonds and any Additional Bonds then Outstanding.

Section 6. General Covenants. The City hereby affirms for the benefit of the Registered Owners of the Series 2003 Bonds and all Outstanding Bonds those covenants which are contained in the Master Resolution.

Section 7. Reserve Account. The City shall deposit into the Reserve Account from the proceeds of the Series 2003 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 8. Covenant as to Arbitrage. The proceeds of the Series 2003 Bonds shall be used and invested in such manner that the Series 2003 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 2003 Bonds and in the investment and expenditure of the proceeds thereof which would result in the interest on the Series 2003 Bonds becoming taxable for federal income tax purposes.

Section 9. Escrow Deposit Agreement and Escrow Agent. The City shall enter into an Escrow Deposit Agreement for the establishment of an Escrow Deposit Fund to which shall be deposited proceeds from the Series 2003 Bonds to acquire Government Obligations to provide funds sufficient to pay the principal and interest due on the Series 1993 Bonds which are being refunded to the redemption date of December 1, 2003. The Authorized Representative is authorized to designate an Escrow Agent to administer the Escrow Deposit Fund and to execute the Escrow Deposit Agreement for and on behalf of the City.

Section 10. Irrevocable Call and Redemption of Series 1993 Bonds. The City does irrevocably call for redemption on December 1, 2003, at 102% of par value the outstanding principal of the Series 1993 Bonds maturing June 1, 2004 to and including the final maturity of June 1, 2020. This irrevocable call and redemption is subject to the sale and delivery of the Series 2003 Bonds and the full funding of the Escrow Fund as provided in the Escrow Deposit Agreement.

Section 11. Effect of Refunding on Series 1993 Bonds. The City determines that, upon deposit into the Escrow Deposit Fund of Government Obligations in an amount calculated to be sufficient to pay the principal and interest due on the Series 1993 Bonds, such deposit shall fully defease the Series 1993 Bonds. The funds on deposit in the Escrow Deposit Fund for the payment of the principal and interest of the Series 1993 Bonds at redemption shall be deducted from the amount of outstanding indebtedness of the City. In addition, such refunded principal amounts of the Series 1993 Bonds shall be deemed fully defeased for the purpose of any statutory debt limitation.

Section 12. Designation as Qualified Tax-Exempt Obligations. The City hereby designates the Series 2003 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 2003.

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 2003 Bonds.

Section 16. Appointment of Paying Agent and Bond Registrar. The Authorized Representative is authorized to designate a Paying Agent and Bond Registrar for the Series 2003 Bonds and to negotiate and execute on behalf of the City the Paying Agent and Bond Registrar Agreement. This Agreement shall provide for compliance with Oregon Administrative Rule 170-61-010. In addition, the City requests and authorizes the Paying Agent and Bond Registrar to execute the Certificate of Authentication as of the date of delivery of the Series 2003 Bonds.

Section 17. Delegation for the Establishment of Terms and Negotiated Sale of the Series 2003 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 2003 Bonds;
- b. negotiate the terms under which the Series 2003 Bonds shall be sold, enter into a Bond Purchase Agreement for the sale of the Series 2003 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 2003 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 2003 Bonds;
- f. take such actions as are necessary to qualify the Series 2003 Bonds for the book-entry-only system of Depository Trust Company;
- g. approve, execute and deliver the Series 2003 Bond closing documents and certificates;


- h. enter into covenants regarding the use of proceeds of the Series 2003 Bonds and the projects financed with the Series 2003 Bonds, to maintain the tax-exempt status of the Series 2003 Bonds; and
- i. Execute and deliver a certificate specifying the action taken pursuant to this Section 17, and any other certificates, documents or agreements that the Authorized Representative determines are desirable to issue, sell and deliver the Series 2003 Bonds.

Section 18. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Series 2003 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 2003 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 2003 Bonds over any other thereof.

Section 19. 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.

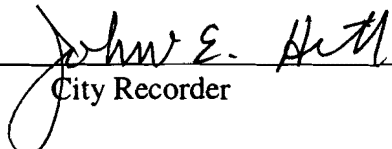
Section 20. Provisions of Master Resolution Incorporated. The terms, provisions and covenants of the Master Resolution not inconsistent with the provisions of this resolution are incorporated herein by reference as if each such term, provision and covenant was fully set forth herein.

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 13th day of August, 2003.



Mayor

ATTEST:



City Recorder