

A RESOLUTION OF THE CITY OF LEBANON,) RESOLUTION NO. 32
OREGON AUTHORIZING THE ISSUANCE AND)
NEGOTIATED SALE OF WASTEWATER REVENUE) FOR 2010
BONDS, SERIES 2010 TO (1) REFUND ALL OR A)
PORTION OF THE OUTSTANDING PRINCIPAL OF)
THE CITY’S WASTEWATER REVENUE BONDS,)
SERIES 2000 AND (2) MAKE IMPROVEMENTS TO)
THE CITY’S WASTEWATER SYSTEM;)
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.)

WHEREAS, on March 1, 2000 the City of Lebanon, Oregon (the “City”) issued its Wastewater Revenue Bonds, Series 2000 (the “Series 2000 Bonds”) pursuant to Resolution No. 37 for 1999, adopted on December 8, 1999 (the “Prior Resolution”) and Ordinance No. 2076 for 1990, enacted June 25, 1990 (the “Master Resolution”), in the aggregate principal amount of \$3,320,000 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 2000 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, the Series 2000 Bonds are subject to optional redemption on and after March 1, 2010 at a price of par value in the outstanding principal amount of \$2,140,000; and

WHEREAS, Oregon Revised Statutes 287A.360 authorizes cities to issue bonds to currently refund outstanding obligations. The City is advised that debt service savings may be achieved by refunding all or a portion of the outstanding principal of the Series 2000 Bonds; and

WHEREAS, the City desires to issue bonds (the "Refunding Series 2010 Bonds") to refund all or a portion of the outstanding Series 2000 Bonds; and

WHEREAS, 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 "New Money Series 2010 Bonds") pursuant to ORS 287A.150 (the "Act"), in an amount not to exceed \$6,500,000 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 New Money Series 2010 Bonds and to pledge to the repayment of the New Money Series 2010 Bonds the Net Revenues of the City's wastewater collection and disposal system (the "Wastewater System"); and

WHEREAS, the Refunding Series 2010 Bonds and the New Money Series 2010 Bonds are collectively referred to herein as the "Series 2010 Bonds"; and

WHEREAS, 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, the City desires to issue the Series 2010 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. Definitions.

As used in this Resolution, the following words shall have the following meanings:

Alternate Credit Facility shall mean any standby letter of credit, bond insurance policy, surety bond, standby bond purchase agreement or other similar Credit Facility supporting payment of principal, interest and purchase price of one or more series of Bonds and taking effect prior to the original stated expiration date of the then current Credit Facility.

Credit Facility shall mean a letter of credit, a municipal bond insurance policy, a surety bond, standby bond purchase agreement or other credit enhancement device given, issued or posted as security for one or more series of Bonds, including any Alternate Credit Facility and any Reserve Credit Facility.

Credit Provider shall mean the person or entity, if any, providing a Credit Facility as security for a series of Bonds.

Rating Agency shall mean:

(1) with respect to any Bonds which, at the request of the City, are then rated by S&P, S&P;

(2) with respect to any Bonds which, at the request of the City, are then rated by Moody's, Moody's;

(3) with respect to any Bonds which, at the request of the City, are then rated by Fitch, Fitch; and

(4) with respect to any Bonds rated which, at the request of the City are then rated by any other financial rating service, such financial rating service, *provided that* when used with respect to a Reserve Credit Facility, the term "Rating Agency" shall mean S&P, Moody's, Fitch or any other nationally recognized financial rating agency, including but not limited to such agencies that rate the claims-paying ability of insurance companies.

Reserve Credit Facility shall mean a Credit Facility issued for the purpose of funding, in lieu of cash, all or any portion of the Reserve Account Requirement and which is issued by a Credit Provider whose long term debt obligations or claims-paying ability (as appropriate) is rated within one of the two highest rating categories by each Rating Agency rating, at the request of the City, the series of Bonds in connection with which such Reserve Credit Facility is being given or provided.

Section 2. Issuance of Refunding Series 2010 Bonds. The City hereby authorize the issuance and negotiated sale of the Refunding Series 2010 Bonds for the purpose of (a) refunding all or a portion of the Series 2000 Bonds, (b) funding the Reserve Account so that the Reserve Account Requirement is satisfied, and (c) paying the cost of issuance of the Refunding

Series 2010 Bonds and related costs. The Refunding Series 2010 Bonds shall not be general obligations of the City or a charge upon the tax revenues of the City. The Refunding Series 2010 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 Refunding Series 2010 Bonds.

Such revenues are estimated to be sufficient to pay the debt service on the Refunding Series 2010 Bonds.

Section 3. Issuance of New Money Series 2010 Bonds. The City hereby authorize the issuance and negotiated sale of the New Money Series 2010 Bonds for the purpose of (a) financing the cost of the Improvements in an amount not to exceed \$6,500,000, (b) funding the Reserve Account so that the Reserve Account Requirement is satisfied, and (c) paying the cost of issuance of the New Money Series 2010 Bonds and related costs. The new Money Series 2010 Bonds shall not be general obligations of the City or a charge upon the tax revenues of the City. The New Money Series 2010 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 New Money Series 2010 Bonds. Such revenues are estimated to be sufficient to pay the debt service on the New Money Series 2010 Bonds.

Section 4. Series 2010 Bonds. The Series 2010 Bonds may be issued in one or more series. If issued in a single series, the principal amount of the Series 2010 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 2000 Bonds being refunded on the redemption date, (b) finance the cost of the Improvements in an amount not to exceed \$6,500,000; (c) fund the Reserve Account so that the Reserve Account Requirement is satisfied, and (d) pay the cost of issuance of the Series 2010 Bonds and related costs.

Section 5. Notice of Intent to Issue New Money Series 2010 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 New Money Series 2010 Bonds are to be issued, in substantially the form attached hereto as Exhibit A, in one issue of the Albany Democrat Herald, a newspaper of general circulation within the geographical boundaries of the City. The New Money Series 2010 Bonds may not be sold until at least sixty (60) days following publication of the Notice of Intent to Issue Revenue Bonds.

Section 6. Filing of Petitions. Electors 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 New Money Series 2010 Bonds referred to a vote. If within 60 days after the publication of the Notice of Intent to Issue Revenue Bonds, 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 New Money Series 2010 Bonds shall be placed on the ballot at the next lawfully 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 New Money Series 2010 Bonds

shall not be sold until this Resolution is approved by a majority of the electors of the City voting on this Resolution.

Section 7. Terms of Series 2010 Bonds. The Series 2010 Bonds shall be 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 2010 Bonds shall be sold at not less than ninety-eight and one-half percent (98.50%) of par value, disregarding any original issue discount. The Series 2010 Bonds may be issued in one or more series. The City authorizes the Finance Director or the City Administrator (the "Authorized Representative") to determine and designate the final terms for the Series 2010 Bonds pursuant to Section 22 hereof.

Section 8. Title and Execution of Series 2010 Bonds. The Series 2010 Bonds shall be entitled "City of Lebanon, Oregon Wastewater Revenue Bonds, Series 2010", 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 2010 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 2010 Bonds will be issued without certificates being made available to the bond holders.

Section 9. Security. Pursuant to ORS 287A.325, 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 2010 Bonds.

Section 10. 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 2010 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 2010 Bonds and any Additional Bonds then Outstanding.

Section 11. General Covenants. The City hereby affirms for the benefit of the Registered Owners of the Series 2010 Bonds and all Outstanding Bonds those covenants which are contained in the Master Resolution.

Section 12. Reserve Account. The City shall deposit into the Reserve Account from the proceeds of the Series 2010 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. Notwithstanding anything in this Section 12 to the contrary, the City shall not be obligated to accumulate and maintain in the Reserve Account an amount at least equal to the Reserve Account Requirement if the City provides a Reserve Credit Facility which, together with other funds on deposit in the Reserve Account, equals the Reserve Account Requirement for all Outstanding Bonds.

Section 13. Covenant as to Arbitrage. The proceeds of the Series 2010 Bonds shall be used and invested in such manner that the Series 2010 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 2010 Bonds and in the investment and expenditure of the proceeds thereof which would result in the interest on the Series 2010 Bonds becoming taxable for federal income tax purposes.

Section 14. 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 2010 Bonds to acquire Government Obligations to provide funds sufficient to pay the principal and interest due on the Series 2000 Bonds which are being refunded to the redemption date. 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 15. Irrevocable Call and Redemption of Series 2000 Bonds. The City does irrevocably call for redemption at par value, on a date selected by the Authorized Representative (the "Redemption Date"), the outstanding principal of the Series 2000 Bonds maturing March 1, 2011 to and including the final maturity of March 1, 2020, as may be selected by the Authorized Representative to be refunded. This irrevocable call and redemption is subject to the sale and delivery of the Series 2010 Bonds and the full funding of the Escrow Fund as provided in the Escrow Deposit Agreement.

Section 16. Effect of Refunding on Series 2000 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 2000 Bonds being refunded, such deposit shall fully defease the Series 2000 Bonds being refunded. The funds on deposit in the Escrow Deposit Fund for the payment of the principal and interest of the Series 2000 Bonds being refunded at redemption shall be deducted from the amount of outstanding indebtedness of the City. In addition, such refunded principal amounts of the Series 2000 Bonds being refunded shall be deemed fully defeased for the purpose of any statutory debt limitation.

Section 17. Designation as Qualified Tax-Exempt Obligations. The City hereby designates the Series 2010 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 \$30,000,000 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 2010.

Section 18. Reimbursement. It is the reasonable official intent of the City to reimburse itself for the capital expenditures associated with the Projects with the proceeds of such bonds in the principal amount not to exceed \$6,500,000. This declaration of official intent is given pursuant to United States Treasury Regulations Section 1.150-2.

Section 19. Appointment of Bond Counsel. The City appoints Mersereau Shannon LLP to serve as Bond Counsel in connection with the issuance of the Series 2010 Bonds.

Section 20. Appointment of Underwriter. The City appoints Seattle-Northwest Securities Corporation to serve as Underwriter in connection with the issuance of the Series 2010 Bonds.

Section 21. 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 2010 Bonds.

Section 22. Appointment of Paying Agent and Bond Registrar. The Authorized Representative is authorized to designate a Paying Agent and Bond Registrar for the Series 2010 Bonds and to negotiate and execute on behalf of the City the Paying Agent and Bond Registrar Agreement. 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 2010 Bonds.

Section 23. Delegation for the Establishment of Terms and Negotiated Sale of the Series 2010 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 2010 Bonds;
- b. negotiate the terms under which the Series 2010 Bonds shall be sold, enter into a Bond Purchase Agreement for the sale of the Series 2010 Bonds, and execute and deliver that Bond Purchase Agreement;
- c. obtain a rating on the Series 2010 Bonds from one or more Rating Agencies;
- d. approve and authorize the preparation and distribution of preliminary and final official statements for the Series 2010 Bonds;

- e. 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;
- f. contract with an expert advisor for purposes of evaluating the terms of the negotiated sale, prior to the sale of the Series 2010 Bonds;
- g. take such actions as are necessary to qualify the Series 2010 Bonds for the book-entry-only system of Depository Trust Company;
- h. approve, execute and deliver the Series 2010 Bond closing documents and certificates;
- i. enter into covenants regarding the use of proceeds of the Series 2010 Bonds and the projects financed with the Series 2010 Bonds, to maintain the tax-exempt status of the Series 2010 Bonds; and
- j. execute and deliver a certificate specifying the action taken pursuant to this Section 22, and any other certificates, documents or agreements that the Authorized Representative determines are desirable to issue, sell and deliver the Series 2010 Bonds.
- k. obtain a Credit Facility and a Reserve Credit Facility for the Series 2010 Bonds and to negotiate and execute on behalf of the City an agreement with the provider of such Credit Facility or Reserve Credit Facility.

Section 24. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Series 2010 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 2010 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 2010 Bonds over any other thereof.

Section 25. 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.

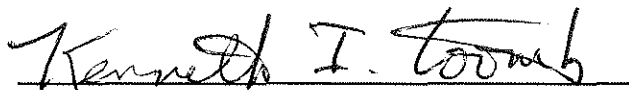
Section 26. Provisions of Master Resolution Incorporated. The terms, provisions and covenants of the Master Resolution not inconsistent with the provisions of this resolution are

incorporated herein by reference as if each such term, provision and covenant was fully set forth herein.

Section 27. Effective Date. Pursuant to ORS 221.310(3), this resolution shall become effective upon passage by the Council and approval of the Mayor.

Passed by the Lebanon City Council on the 11th day of August, 2010 by a vote of 6 in favor and 0 against.

CITY COUNCIL OF LEBANON, OREGON



Kenneth I. Toomb, Mayor
Bob Elliott, Council President

Attested by:



Linda Kaser, City Clerk/Recorder

EXHIBIT A

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

NOTICE IS HEREBY GIVEN that on August 11, 2010, the Common Council of the City of Lebanon, Oregon (the "City") adopted Resolution No. 32 for 2010 authorizing the issuance of Wastewater Revenue Bonds (the "Bonds") as authorized by Oregon Revised Statutes 287A.150 in an amount not to exceed \$6,500,000 for the purpose of (1) financing improvements to the City's wastewater collection and disposal system and (2) funding of a debt service reserve account (the "Projects") and to pay the costs of issuance of the Bonds.

Principal of and interest on the Bonds shall be paid solely from the net revenues of the City's Wastewater System, after payment of the costs of maintenance and operation of the Wastewater System, and shall not be a general obligation of the City nor a charge upon the tax revenues of the City.

Electors residing within the City may file a petition with the City within sixty (60) days of 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 electors sign such petition and it is filed with the City within sixty (60) days of the publication of this notice, 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. 32 for 2010 is available for inspection online at www.ci.lebanon.or.us or at the office of the City Clerk, 925 Main Street, Lebanon, Oregon 97355.

CITY OF LEBANON, OREGON