

A SUPPLEMENTAL RESOLUTION OF THE CITY) RESOLUTION NO. 34
OF LEBANON URBAN RENEWAL AGENCY,)
OREGON AUTHORIZING THE ISSUANCE AND)
NEGOTIATED SALE OF URBAN RENEWAL) FOR 2010
REFUNDING BONDS (NORTHWEST LEBANON)
URBAN RENEWAL AREA) SERIES 2010 TO)
REFUND ALL OF THE OUTSTANDING PRINCIPAL)
OF THE AGENCY'S URBAN RENEWAL BONDS)
(NORTHWEST LEBANON URBAN RENEWAL)
AREA), SERIES 2000 AND DESIGNATING AN)
AUTHORIZED REPRESENTATIVE, BOND)
COUNSEL AND UNDERWRITER; AUTHORIZING)
APPOINTMENT OF A PAYING AGENT, BOND)
REGISTRAR, ESCROW AGENT, QUALIFIED)
CONSULTANT AND FINANCIAL ADVISOR AND)
AUTHORIZING EXECUTION OF A BOND)
PURCHASE AGREEMENT.)

WHEREAS, on August 24, 2000 the City of Lebanon Urban Renewal Agency, Oregon (the "Agency") issued its Urban Renewal Bonds (Northwest Lebanon Urban Renewal Area), Series 2000 (the "Series 2000 Bonds") pursuant to Resolution No. 71 for 2000, adopted on July 26, 2000 (the "Master Resolution"), in the aggregate principal amount of \$5,435,000 and the proceeds were expended to (1) redeem a note of the Agency to the City of Lebanon (the "City"), (2) to fund certain capital projects within the Northwest Lebanon Urban Renewal Area within the City (the "Area") authorized by the Northwest Lebanon Urban Renewal Plan (the "Plan"), (c) fund the Reserve Account for the Series 2000 Bonds, and (d) pay the costs of issuance of the Series 2000 Bonds; and

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

WHEREAS, Section 10 of the Master Resolution authorizes the issuance of Additional Bonds for any purpose relating to the Plan which is authorized by law, but only upon the following conditions:

A. (1) No Default under the Master Resolution or any Supplemental Resolution has occurred and is continuing.

(2) At the time of the issuance of the Additional Bonds there is no deficiency in the Reserve Account or the Debt Service Account.

(3) Except as provided in this paragraph (3), the Supplemental Resolution authorizing the issuance of the Additional Bonds shall require that a deposit be made at closing sufficient to bring the balance in the Reserve Account equal to the Reserve Requirement for all Outstanding Bonds, including the proposed Additional Bonds. The Supplemental Resolution authorizing the issuance of Additional Bonds

shall provide that the Agency shall make a deposit to the Reserve Account in an amount necessary, together with other available funds, to meet the Reserve Requirement at the time of issuance of the Additional Bonds. For purposes of Section 10.A.(2) of the Master Resolution, no deficiency shall be deemed to exist in the Reserve Account as a result of the application of the preceding sentence.

(4) There shall have been filed with the Agency either:

(a) a certificate of the Authorized Representative stating that the Tax Increment Revenues received in the Base Period preceding the delivery of the Additional Bonds then proposed to be issued are not less than 1.30 times Maximum Annual Debt Service due in the Base Period on Outstanding Bonds plus the Additional Bonds then proposed to be issued; or

(b) a report of a Qualified Consultant setting forth:

(i) the projected amount of the Maximum Tax Increment Revenues for the three Fiscal Years succeeding the date of delivery of the Additional Bonds, then proposed to be issued, or, if capitalized interest is used, three Fiscal Years after the last capitalized interest payment; and

(ii) the debt service on all Outstanding Bonds and the Maximum Annual Debt Service for each maturity of the Series of Additional Bonds then proposed to be issued, and stating that the respective amounts of projected Maximum Tax Increment Revenues shown in paragraph (i) above for each of the three Fiscal Years succeeding the date of delivery of the Additional Bonds, then proposed to be issued, or, if capitalized interest is used, three Fiscal Years after the last capitalized interest payment is not less than 1.50 times Maximum Annual Debt Service on all Outstanding Bonds plus the Additional Bonds then proposed to be issued.

(5) There shall have been delivered to the Agency an opinion of Bond Counsel, to the effect that the Additional Bonds are valid and binding obligations of the Agency and that the issuance of the Additional Bonds shall not cause the interest paid on any Bonds (other than Taxable Obligations, if any) then Outstanding to become subject to federal income taxation.

B. The Agency may issue Additional Bonds to refund Outstanding Bonds, notwithstanding the requirements of Section 10.A of the Master Resolution, if the Annual Debt Service of the Refunding Bonds does not exceed the Annual Debt Service for the refunded Bonds payable in any Fiscal Year by more than \$5,000.

C. All Additional Bonds issued in accordance with Section 10 of the Master Resolution shall have a lien on the Security that is equal to the lien of the Bonds issued in accordance with this Master Resolution or any Supplemental Resolution.

WHEREAS, the Series 2000 Bonds are subject to optional redemption on and after June 1, 2010 at a price of par value plus accrued interest to the date of redemption. There is \$3,420,000 of principal of the Series 2000 Bonds outstanding; and

WHEREAS, the Agency desires to issue bonds (the "Series 2010 Bonds") to refund all of the outstanding Series 2000 Bonds; and

WHEREAS, the Agency desires to issue the Series 2010 Bonds as Additional Bonds under Section 10 of the Master Resolution; and

WHEREAS, the only other outstanding indebtedness secured by the Tax Increment Revenues is the Special Public Works Fund Project #B05003 by and between City (pursuant to an Intergovernmental Agreement between the City and the Agency) and the State of Oregon Economic and Community Development Department dated April 11, 2007 in the original principal amount of \$3,677,462 (the "Special Public Works Fund Loan") which is a parity indebtedness; and

WHEREAS, upon the issuance of the Series 2010 Bonds and the retirement or defeasance of all of the Series 2000 Bonds, only the Special Public Works Fund Loan and the Series 2010 Bonds will be outstanding under the Master Resolution and secured by the Tax Increment Revenues; and

WHEREAS, the Agency desires to make certain amendments to provisions 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 Urban Renewal Agency, Linn County, Oregon, does resolve as follows:

Section 1. Amendments to Master Resolution. Upon the retirement or defeasance of the Series 2000 Bonds, the Master Resolution is amended as follows:

A. **Definitions.** The definition of the following terms in the Master Resolution are amended to read as follows:

"Additional Bonds" means the Special Public Works Fund Loan and Bonds, other than the Series 2010 Bonds, issued pursuant to Section 10 of the Master Resolution and any Supplemental Resolution, which Additional Bonds shall be secured on an equal and ratable (pari passu) basis with the Series 2010 Bonds with respect to the lien on the Security. Additional Bonds may also be issued to advance refund or to currently refund Outstanding Bonds.

"Bonds" or "Bond" means the Special Public Works Fund Loan, the Series 2010 Bonds, and any Additional Bonds issued pursuant to the Master Resolution or a Supplemental Resolution with an equal and ratable lien on the Security.

"Outstanding Bonds" or "Outstanding" means the Special Public Works Fund Loan and all Bonds authorized and delivered pursuant to this Master Resolution and any Supplemental Resolution except Bonds theretofore canceled or defeased pursuant to Section 16 of the Master Resolution.

"Reserve Requirement" means an amount equal to the lesser of Maximum Annual Debt Service on all Outstanding Bonds, excluding the Special Public Works Fund Loan, or the amount described in the next sentence. If at the time of issuance of a Series of Additional Bonds, the amounts required to be added to the Reserve Account to make the balance in the Reserve Account equal to the Maximum Annual Debt Service on all Outstanding Bonds, excluding the Special Public Works Fund Loan but including the proposed Series of Additional Bonds, exceeds the Tax Maximum calculated for that Series of Additional Bonds, then the Reserve Requirement shall mean the Reserve Requirement in effect immediately prior to the issuance of that Series of Additional Bonds, plus the Tax Maximum for that Series of Additional Bonds. It is the intent that the Special Public Works Fund Loan shall not require a deposit to, or be secured by, the Reserve Fund.

B. Section 2.E of the Master Resolution is amended to read as follows:

E. As security for the payment of the principal, interest and premium (if any) on all Outstanding Bonds, the Agency hereby pledges to the Registered Owners of the Bonds a first lien on and security interest in the Agency's right, title and interest in the following:

(i) the Tax Increment Revenues;

(ii) the moneys and investments (including investment earnings thereon) on deposit in the Tax Increment Fund and the Reserve Account, including without limitation the Agency's right, title and interest in any Reserve Credit Facility (and any moneys drawn or paid thereunder) given with respect to meeting the Reserve Requirement on a particular Series of Bonds;

(iii) any Credit Facility other than a Reserve Credit Facility given as security for the payment of any amounts owing on any Bonds (and any moneys drawn or paid thereunder); provided that such Credit Facility secures only those Bonds for which it was given; and

(iv) such other properties and assets as may be hereafter pledged to the payment of Bonds pursuant to any Supplemental

Resolution or which may be delivered, pledged, mortgaged or assigned by any person as security for Bonds.

(v) Notwithstanding the foregoing, the lien and pledge of the Reserve Account, the Reserve Credit Facility (and any moneys drawn or paid thereunder), shall not be applicable to the Special Public Works Fund Loan, it being the intent that the Special Public Works Fund Loan shall not be secured by the Reserve Fund or any Reserve Credit Facility.

The foregoing is referred to herein as the "Security."

C. Section 7.E (1) through (3) of the Master Resolution is amended to read as follows:

E. The Reserve Account shall be administered as follows:

(1) The Agency covenants with the Owners of the Bonds, excluding the Special Public Works Fund Loan, that it will, on July 1 of each year, so long as any Bonds remain Outstanding, determine that the balance in the Reserve Account will at least equal the Reserve Requirement for the Series 2010 Bonds and any Additional Bonds, excluding the Special Public Works Fund Loan. If the amount on deposit in the Reserve Account is less than the Reserve Requirement, the deficiency shall be eliminated by payments for such purpose available from the Tax Increment Fund in proportionate monthly amounts so that the Reserve Requirement for the Series 2010 Bonds and any Additional Bonds is achieved within twelve months from the date of any deficiency. In the event the amount on deposit in the Reserve Account is more than the Reserve Requirement on any Valuation Date, any such excess may be transferred by the Agency to the Tax Increment Fund. In lieu of or in addition to depositing cash or Permitted Investments to the Reserve Account, the Agency may from time to time deposit a Credit Facility to the Reserve Account.

(2) Monies in the Reserve Account may be invested only in Permitted Investments that mature in no more than five years, but no such Permitted Investments shall result in a yield that would violate the provisions of Section 148 of the Code. If Permitted Investments mature later than one year from the date of purchase, then the Agency shall value such Permitted Investments at the lower of cost or market.

(3) If, on any date upon which any amounts of principal or interest on the Bonds, excluding the Special Public Works Fund Loan, are due and payable, the amounts on deposit in the Debt Service Account when added to moneys drawn or available to be drawn under any Credit Facility (other than a Reserve Credit Facility) for such purpose, are insufficient to pay all amounts of principal of, premium (if any) and interest on the Outstanding

Bonds and any Additional Bonds, excluding the Special Public Works Fund Loan, due on such date, then the Agency shall withdraw from the Reserve Account in the order of priority set forth below, an amount equal to such deficiency and apply the amount so withdrawn to the payment of the amounts of principal, premium (if any) and interest due on the Outstanding Bonds and any Additional Bonds, excluding the Special Public Works Fund Loan, on such date.

D. Section 8A(2) is amended to read as follows:

(2) To the Reserve Account to maintain the Reserve Requirement for and to secure the payment of any Outstanding Bonds, excluding the Special Public Works Fund Loan.

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

Section 3. Series 2010 Bonds. The principal amount of the Series 2010 Bonds shall be in an amount sufficient (a) to pay the principal of and interest on the Series 2000 Bonds being refunded on the redemption date, or 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 Agency 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) fund the Reserve Account so that the Reserve Requirement is satisfied, and (c) pay the cost of issuance of the Series 2010 Bonds and related costs.

Section 4. 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 four and one-half percent (4.5%) per annum, payable semiannually. The Series 2010 Bonds shall be sold at not less than ninety-eight and one-half percent (98.5%) of par value, disregarding any original issue discount. The Agency authorizes the City Administrator or the Finance Director of the City (the "Authorized Representative") to determine and designate the final terms for the Series 2010 Bonds pursuant to Section 18 hereof.

Section 5. Title and Execution of Series 2010 Bonds. The Series 2010 Bonds shall be entitled "City of Lebanon Urban Renewal Agency, Linn County, Oregon Urban Renewal Bonds (Northwest Lebanon Urban Renewal Area), Series 2010", or such other term approved by the Authorized Representative and shall bear the manual or facsimile signature of the Chair of the Board of the Agency and the manual or facsimile signature of

the Secretary of the Board of the Agency. 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 6. Security. As security for the payment of the principal, interest and premium (if any) on all Series 2010 Bonds, the Agency hereby pledges to the owners of the Series 2010 Bonds, on a parity with all Outstanding Bonds, a first lien on and security interest in the Agency's right, title and interest in the following:

- (1) the Tax Increment Revenues;
- (2) the moneys and investments (including investment earnings thereon) on deposit in the Tax Increment Fund and the Reserve Account, including without limitation the Agency's right, title and interest in any Reserve Credit Facility (and any moneys drawn or paid thereunder) given with respect to meeting the Reserve Requirement on a particular Series of Bonds;
- (3) any Credit Facility other than a Reserve Credit Facility given as security for the payment of any amounts owing on any Bonds (and any moneys drawn or paid thereunder); provided that such Credit Facility secures only those Bonds for which it was given; and
- (4) such other properties and assets as may be hereafter pledged to the payment of Bonds pursuant to any Supplemental Resolution or which may be delivered, pledged, mortgaged or assigned by any person as security for Bonds.

Section 7. General Covenants. The Agency 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 8. Reserve Account. The Agency 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 Requirement. Notwithstanding anything in this Section 8 to the contrary, the Agency shall not be obligated to accumulate and maintain in the Reserve Account an amount at least equal to the Reserve Requirement if the Agency provides a Reserve Credit Facility which, together with other funds on deposit in the Reserve Account, equals the Reserve Requirement for all Outstanding Bonds.

Section 9. 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 Agency 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 10. Escrow Deposit Agreement and Escrow Agent. The Agency 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 pay the principal and interest due on the all of the outstanding Series 2000 Bonds to the redemption date or to acquire Government Obligations to provide funds sufficient to pay the principal and interest due on the all of the outstanding Series 2000 Bonds 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 Agency.

Section 11. Irrevocable Call and Redemption of Series 2000 Bonds. The Agency does irrevocably call for redemption at par value, on a date selected by the Authorized Representative (the "Redemption Date"), all of the outstanding principal of the Series 2000 Bonds maturing June 1, 2011 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 2010 Bonds and the full funding of the Escrow Deposit Fund as provided in the Escrow Deposit Agreement.

Section 12. Effect of Refunding on Series 2000 Bonds. The Agency determines that, upon deposit into the Escrow Deposit Fund cash or Government Obligations in an amount calculated to be sufficient to pay the principal and interest due on the all of the outstanding Series 2000 Bonds, such deposit shall fully defease all of the outstanding the Series 2000 Bonds. The funds on deposit in the Escrow Deposit Fund for the payment of the principal and interest of all of the Series 2000 Bonds at redemption shall be deducted from the amount of outstanding indebtedness of the Agency. 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 13. Designation as Qualified Tax-Exempt Obligations. The Agency 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 Agency, including all subordinate entities of the Agency, if any, during the calendar year 2010.

Section 14. Appointment of Bond Counsel. The Agency appoints Mersereau Shannon LLP to serve as Bond Counsel in connection with the issuance of the Series 2010 Bonds.

Section 15. Appointment of Underwriter. The Agency appoints Seattle-Northwest Securities Corporation to serve as Underwriter in connection with the issuance of the Series 2010 Bonds.

Section 16. Appointment of Expert Advisor and Qualified Consultant. The Authorized Representative is authorized to designate an Expert Advisor to evaluate the terms of the negotiated sale of the Series 2010 Bonds and a Qualified Consultant to project the tax increment revenues and issue required reports and certificates.

Section 17. 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 Agency the Paying Agent and Bond Registrar Agreement. In addition, the Agency 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 18. 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. negotiate the terms of and enter into an Escrow Deposit Agreement;
- d. obtain a rating on the Series 2010 Bonds from one or more Rating Agencies;
- e. approve and authorize the preparation and distribution of preliminary and final official statements for the Series 2010 Bonds;
- f. 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;
- g. contract with an expert advisor for purposes of evaluating the terms of the negotiated sale, prior to the sale of the Series 2010 Bonds;
- h. take such actions as are necessary to qualify the Series 2010 Bonds for the book-entry-only system of Depository Trust Company;
- i. approve, execute and deliver the Series 2010 Bond closing documents and certificates;
- j. 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;
- k. execute and deliver a certificate specifying the action taken pursuant to this Section 18, and any other certificates, documents or agreements that the Authorized Representative determines are desirable to issue, sell and deliver the Series 2010 Bonds; and

- I. obtain a Credit Facility and a Reserve Credit Facility for the Series 2010 Bonds and to negotiate and execute on behalf of the Agency an agreement with the provider of such Credit Facility or Reserve Credit Facility.

Section 19. 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 Agency with the owners of the Series 2010 Bonds and shall be deemed to be and shall constitute a contract between the Agency and the owners. The pledges, covenants and agreements contained herein and in the Master Resolution shall be for the equal benefit, protection and security of the 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.

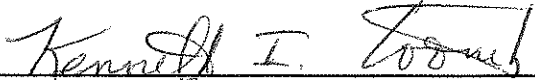
Section 20. Continuing Disclosure. The Agency covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate to be negotiated with the Underwriter. Notwithstanding any other provision of this Resolution, failure by the Agency to comply with 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 Agency to comply with its obligations under this section and the Continuing Disclosure Certificate.

Section 21. 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.

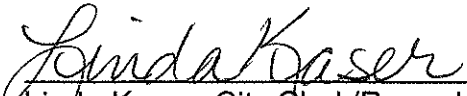
Section 22. Effective Date. This resolution shall become effective upon passage by the Board.

Passed by the Lebanon City Council on the 8th day of September, 2010 by a vote of 5 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