

FIRST SUPPLEMENTAL RESOLUTION NO. 09-065

A RESOLUTION OF THE COLUMBIA GATEWAY URBAN RENEWAL AGENCY OF THE CITY OF THE DALLES, OREGON SUPPLEMENTING THE MASTER RESOLUTION; AUTHORIZING THE ACCEPTANCE OF ASSISTANCE FROM THE CITY OF THE DALLES TO FINANCE THE PROJECT AND REFUND THE SERIES 2002 BOND; AUTHORIZING THE EXECUTION OF ASSISTANCE AGREEMENT AND ISSUANCE OF URBAN RENEWAL NOTE IN THE AMOUNT NOT TO EXCEED \$11,500,000 PAYABLE FROM AND SECURED BY THE TAX INCREMENT REVENUES OF THE COLUMBIA GATEWAY/DOWNTOWN AREA; PROVIDING FLEXIBILITY ON SIZING FOR REFUNDING PORTION; DESIGNATING AN AUTHORIZED REPRESENTATIVE; AND RELATED MATTERS

WHEREAS, the Columbia Gateway Urban Renewal Agency of the City of The Dalles, Oregon (the "Agency") is authorized to issue bonds and other obligations payable from the Tax Increment Revenues of the Columbia Gateway/Downtown Area; and

WHEREAS, on June 28, 2000, the Agency issued its Urban Renewal Bond, Series 2000 in the aggregate principal amount of \$3,500,000 (the "Series 2000 Bond"); and

WHEREAS, on September 23, 2002, the Agency adopted Resolution No. 02-046 (the "Master Resolution") authorizing the issuance of Urban Renewal Bond, Series 2002 in the aggregate principal amount of \$4,555,000 (the "Series 2002 Bond") to refund the Series 2000 Bond and to finance real and personal property projects (the "Project") authorized by the Columbia Gateway/Downtown Urban Renewal Plan of the Agency (the "Plan"), and providing for the issuance of Additional Bonds; and

WHEREAS, on September 24, 2002, the Agency issued its Series 2002 Bond which is currently outstanding in the principal amount of \$2,400,000; and

WHEREAS, the proceeds of the Series 2002 Bond were expended to finance real and personal property projects authorized by the Plan; and

WHEREAS, the Series 2002 Bond is subject to prepayment on any Business Day, in whole or in part, upon five Business Day's notice by the Agency to Bank of America, N.A. (the "Bank") without premium after May 31, 2007; and

WHEREAS, the Series 2002 Bond has rates of interest which are higher than what is available in the current market; and

WHEREAS, the current maturity of the Series 2002 Bond is shorter than desirable to maximize the benefit of tax increment revenues; and

WHEREAS, refinancing and extending the maturity of the Series 2002 Bond will lead to expanding the ability of the Agency to complete projects; and

WHEREAS, the City of The Dalles, Wasco County, Oregon (the "City") is authorized and empowered by provisions of Oregon Revised Statutes ("ORS") Sections 271.390 and 287A.315 to enter into financing agreements and to provide for the issuance and sale of full faith and credit obligations ("Obligations") for and on behalf of the City for the purpose of financing real and personal property; and

WHEREAS, the Project consists of real and personal property; and

WHEREAS, the City is authorized pursuant to ORS Section 457.320 to exercise any of its powers to assist in the planning or the carrying out of an urban renewal plan; and

WHEREAS, the Agency is authorized pursuant to ORS Section 457.190 to borrow money and accept advances, loans, grants and any other form of financial assistance from a public body for the purposes of undertaking and carrying out urban renewal projects; and

WHEREAS, Section 6.A. of the Master Resolution permits the issuance of Additional Bonds if at the time of issuing the Additional Bonds: (i) no event of default under the Master Resolution, the Outstanding Bonds or the Purchase Agreement related to the Outstanding Bonds has occurred or is occurring; (ii) no deficiencies exist in the Debt Service Account; (iii) the balance in the Reserve Account is at least equal to the Reserve Requirement on the date of closing of the Additional Bonds, calculated as if the Additional Bonds were outstanding; (iv) the Authorized Representative certifies that (1) the amount of Tax Increment Revenues for the most recently completed Fiscal Year was not less than 1.30 times Maximum Annual Debt Service on all of the Outstanding Bonds, with the Additional Bonds being treated as Outstanding, or (2) the Agency receives a report from a Qualified Consultant projecting that, in each of the three fiscal years immediately following the issuance of Additional Bonds, inclusive of the year in which the Additional Bonds is to be issued, the Tax Increment Revenues will be no less than 1.40 times the Maximum Annual Debt Service on all Outstanding Bonds, with the Additional Bonds being treated as Outstanding; and

WHEREAS, Section 2.E. of the Master Resolution provides that as security for the payment of the principal, interest and premium on all Outstanding Bonds, the Agency pledges to the Bondowner a first lien on a 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; (iii) 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 (the "Security"); and

WHEREAS, it is in the bests interest of the Agency and the Agency adopts this resolution to (1) request that the City enter into a financing agreement and provide for the issuance of Obligations to assist in the carrying out of the Project and to refund all of the Series 2002 Bonds (the "Assistance"), (2) accept Assistance from the City under the terms set forth below to finance the costs of the Project and refund the Series 2002 Bonds, (3) authorize the issuance of Additional Bonds, and execute an Assistance Agreement, evidencing the Agency's obligation to repay the Assistance, payable from and secured by the Security, and (4) appoint the Authorized Representative to make determinations and authorize and execute all documentation relating to such Assistance and Additional Bonds.

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE COLUMBIA GATEWAY URBAN RENEWAL AGENCY OF THE CITY OF THE DALLES, OREGON:

Section 1. Definitions

A. All terms used in this First Supplemental Resolution and not otherwise defined herein shall have the respective meanings assigned thereto in the Master Resolution (defined herein). In addition to the terms defined in the Master Resolution, the following words and terms used in this First Supplemental Resolution shall have the meanings set forth below unless the context or use clearly indicates otherwise:

"Assistance" means financial assistance in the amount not to exceed \$11,500,000 to the Agency from the City of The Dalles pursuant to ORS Sections 457.320 and 457.190 to assist in the carrying out of the Plan and to refinance all of the Series 2002 Bond.

"Assistance Agreement" means the agreement in substantially the form attached hereto as Exhibit A setting forth Assistance and Series 2009 Note agreements between the City and the Agency.

"First Supplemental Resolution" means this First Supplemental Resolution adopted on September 14, 2009.

"Master Resolution" means Resolution No. 02-046 adopted on September 23, 2002.

"Obligations" means the Full Faith and Credit Obligations, Series 2009, issued on behalf of the City of The Dalles in part to provide Assistance to the Agency.

“Qualified Consultant” means an individual, firm or organization designated by the Agency qualified and experienced in the calculation and projection of Tax Incremental Revenues.

“Refinancing” means the refinancing of all of the Series 2002 Bonds with the proceeds of the Series 2009 Note.

“Series 2009 Note” means the Additional Bonds issued by the Agency to the City and designated as Urban Renewal Note (The Columbia Gateway/Downtown Area) Series 2009, in the principal amount equal to the Assistance but not to exceed \$11,500,000, evidencing the Agency’s obligation to repay the Assistance and payable from and secured by the Security.

Section 2. Assistance, Note and Agreement

A. The Agency hereby requests that the City enter into a financing agreement and provide for the issuance of Obligations in the amount not to exceed \$11,500,000 to assist in the carrying out of the Project and the Refinancing.

B. Pursuant to the Act, and to provide funds for the capital costs of the Project and the Refinancing, the Agency hereby authorizes the acceptance of Assistance from the City, and authorizes and directs the issuance of Additional Bonds designated as Urban Renewal Note (The Columbia Gateway/Downtown Area), Series 2009 (the "Series 2009 Note") for the purpose of financing the Project, the Refinancing, any required reserve fund for the Series 2009 Note, the costs of issuance of the Series 2009 and a portion of the costs of issuance of the Obligations.

C. The Series 2009 Note shall be executed and delivered to the City of The Dalles in exchange for the Assistance.

D. The Series 2009 Note shall be issued at a true effective rate of interest not to exceed five and one half percent (5.5%) per annum if issued as federally tax-exempt obligations, and five and one half percent (5.5%) per annum net of all credits and cash subsidy payments paid by the United States Treasury if issued as BABs, and shall mature not later than twenty (20) years from the date of issuance.

E. The proceeds of the Series 2009 Note shall be used to refinance all of the Series 2002 Bond and to fund the Project, the Reserve Account and to pay the costs of issuance of the Series 2009 Note.

F. Principal and interest on the Series 2009 Note shall be payable solely from the Security.

G. The Series 2009 Note may be issued in such form and in such maturities, bearing interest at such rates, and with such captions or designations and subject to such redemption and to other terms and conditions as stated in this Section 2 for the Series 2009 Note.

H. The Agency hereby authorizes the execution of an Assistance Agreement setting forth terms of the Assistance and Series 2009 Note in substantially the form attached hereto as Exhibit A.

Section 3. Covenants.

The Agency covenants and agrees not to approve any major amendments to the Plan that would require sharing of revenues under ORS Chapter 457 unless the Agency receives a report from a Qualified Consultant projecting that, in each of the fiscal years immediately following the Plan amendment that Bonds are Outstanding, inclusive of the year in which the Plan amendment is made, the Tax Increment Revenues will be no less than 1.30 times the Maximum Annual Debt Service on all Outstanding Bonds.

Section 4. Authorized Representative

A. The Agency authorizes the Authorized Representative to:

(i) establish the dated date, maturity and interest payment dates, principal amounts, optional and/or mandatory redemption provisions (with or without premium), interest rates, and denominations and all other terms for the Series 2009 Note including the final form of the Series 2009 Note; and

(ii) enter into the Assistance Agreement and other agreements for sale of the Series 2009 Note, and execute and deliver such agreements; and

(iii) approve, execute and deliver the Series 2009 Note closing agreements, documents and certificates; and

(iv) enter into covenants regarding the use of the proceeds of the Series 2009 Note and the Project financed with the proceeds of the Series 2009 Note, to maintain the tax-exempt status of the Series 2009 Note; and

(v) make representations and enter into covenants for the protection of the City as owner of the Series 2009 Note; and

(vi) make appropriate representations and certifications required for the issuance of Additional Bonds under the Master Resolution and if the Authorized Representative determines desirable, appoint a Qualified Consultant as provided for in Section 6.A. of the Master Resolution; and

(vii) execute and deliver a certificate specifying the action taken pursuant to this paragraph, and any other certificates, documents or agreements that the Authorized Representative determines are desirable to issue and deliver the Series 2009 Note in accordance with this Resolution; and

(viii) determine whether all or a portion of the Series 2009 Note shall be Build American Bonds (BABs) pursuant to The American Recovery and Reinvestment Tax Act of 2009 and make all determinations in connection therewith and take all actions necessary or desirable to qualify all or a portion of the Series 2009 Note as BABs; and

(ix) designate the Series 2009 Note as a “qualified tax-exempt obligation” pursuant to Section 265(b)(3) of the Code so long as the Agency and all subordinate entities do not reasonably expect to issue more than \$30,000,000 of tax-exempt obligations during the calendar year in which the Series 2009 Note is issued and approve, execute and deliver a Tax Certificate; and

(ix) determine such other provisions as are deemed necessary and desirable for the sale and issuance of the Series 2009 Note.

Section 5. Defaults and Remedies

The Authorized Representative may establish the terms under which defaults may be declared under the Series 2009 Note and this Resolution, and the remedies available to the City.

Section 6. Maintenance of Tax-Exempt Status.

A. The Agency hereby covenants for the benefit of the Owners of the Series 2009 Note to use the Series 2009 Note proceeds and the Project financed and refinanced with the Series 2009 Note proceeds in the manner required, and to otherwise comply with all provisions of the Internal Revenue Code of 1986, as amended (the “Code”), which are required so that interest paid on the Series 2009 Note will not be includable in gross income of the Owners of such Series 2009 Note for federal income tax purposes or so that the Series 2009 Note qualify as BABs, as applicable. The Agency makes the following specific covenants with respect to the Code:

(i) The Agency will not take any action or omit any action if it would cause the Financing Agreement or Obligations to become arbitrage bonds under Section 148 of the Code.

(ii) The Agency shall operate the Project financed with the Obligations so that the Obligations do not become “private activity bonds” within the meaning of Section 141 of the Code.

(iii) The Agency shall comply with appropriate Code reporting requirements.

(iv) The Agency shall pay, when due, all rebates and penalties with respect to the Obligations which are required by Section 148(f) of the Code.

B. The covenants contained in this Section 6 and any covenants in the closing documents for the Series 2009 Note shall constitute contracts with the owners of the Series 2009 Note, and shall be enforceable by them. The Authorized Representative may enter into covenants on behalf of the Agency to protect the tax-exempt status or BABs status, as applicable, of the Series 2009 Note.

Section 7. Additional Actions

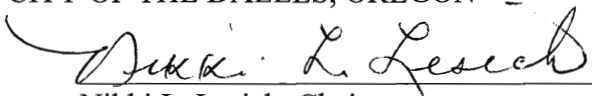
The Authorized Representative is authorized to do any and all other things or acts necessary for the execution, sale and delivery of the Series 2009 Note as herein authorized. Such acts of the Authorized Representative are for and on behalf of the Agency and are hereby authorized by the Agency.

Section 8. Effective Date

This Resolution shall be considered effective September 14, 2009.

Adopted this 14th day of September 2009.

COLUMBIA GATEWAY URBAN RENEWAL AGENCY
OF THE CITY OF THE DALLES, OREGON

Signed: 
Nikki L. Lesich, Chair

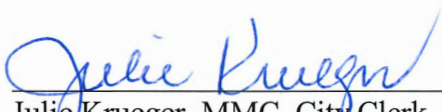
Attest: 
Julie Krueger, MMC, City Clerk

EXHIBIT A

FORM OF ASSISTANCE AGREEMENT

This Agreement is made this ____ day of September 2009, by and between the CITY OF THE DALLES, a municipal corporation of the State of Oregon (the "City") and the COLUMBIA GATEWAY URBAN RENEWAL AGENCY OF THE CITY OF THE DALLES, Oregon, a public body created under ORS Chapter 457 (the "Agency").

I. DEFINITIONS

For purposes of this Agreement, capitalized terms not defined in this Agreement have the meanings defined for those terms in the Agency Resolution (defined herein), and the following capitalized terms shall have the following meanings, unless the context clearly requires otherwise:

"Additional Bonds" means obligations issued in compliance with the requirements of Section 5 of this Agreement which are secured by a lien on, and pledge of, the Tax Increment Revenues which is on a parity with the lien on, and pledge of Tax Increment Revenues which secures the Series 2009 Note.

"Agency" means the Columbia Gateway Urban Renewal Agency of the City of The Dalles, Oregon.

"Agency Resolution" means collectively the Master Resolution and the First Supplemental Resolution.

"Agreement" means this Assistance Agreement.

"Area" means the Columbia Gateway/Downtown Area which is described in the Plan, and all additions thereto.

"Authorized Representative" means, each individually, the City Manager or Finance Director of the City or their designee.

"Bond Year" means each period which begins on July 1 and ends the following June 30.

"Bonds" or "Bond" means the Series 2009 Note or any other obligations and any Additional Bonds issued in compliance with the requirements of Section 7 below and the Master Resolution.

"City" means the city of The Dalles, Wasco County, Oregon.

"City Resolution" means the City's Resolution No. 09-028 adopted September 14, 2009 authorizing

the Assistance and this Agreement.

“Closing” means the time the Obligations are issued and exchanged for their purchase price.

“Escrow Agent” means Wells Fargo Bank, National Association or its successors or assigns.

“Event of Default” means a determination by the City that there has been (1) a failure to pay principal and interest on the Series 2009 Note when due, (2) a failure by the Agency to comply with any of its obligations under this Agreement, the Agency Resolution or the Series 2009 Note, which failure continues for a more than 60 days after the City has made written demand to cure, or (3) a material misrepresentation by the Agency in this Agreement or the Series 2009 Note.

“Government Obligations” means direct noncallable obligations of the United States, or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States.

“First Supplemental Resolution” means the Agency’s First Supplemental Resolution No. 09-065 adopted September 14, 2009, authorizing the issuance of the Series 2009 Note and this Agreement.

“Master Resolution” means the Agency’s Resolution No. 02-046 adopted on September 23, 2002.

“Obligations” means the City’s Full Faith and Credit Obligations, Series 2009 in the aggregate principal amount not to exceed \$14,000,000.

“Permitted Investments” means any investments in which the Agency is authorized to invest surplus funds under the laws of the State of Oregon.

“Reserve Requirement” means the lesser of Maximum Annual Debt Service on all Outstanding Bonds or the amount described in the next sentence. If, at the time of issuance of a Series of 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 exceeds the Tax Maximum calculated with respect to that Series, then the Reserve Requirement means the Reserve Requirement in effect immediately before the issuance of that Series of Bonds (calculated as if that Series of Bonds were not Outstanding), plus the Tax Maximum for the Series of Bonds.

“Series 2002 Bond” means the Agency’s Urban Renewal Bond, Series 2002 issued on September 24, 2002, in an original principal amount of \$4,555,000 of which \$2,400,000 is currently outstanding that will be refinanced through this Assistance Agreement and the issuance of the Obligations.

“Series 2009 Note” means the Agency’s Urban Renewal Note, Series 2009 evidencing the amount owed under this Agreement and issued to finance the Project, the refinancing of the Series 2002 Bond, any required reserve fund for the Series 2009 Note, the costs of issuance of the Series 2009 and a portion of the costs of issuance of the Obligations.

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

“Tax Maximum” means, for any Series of Bonds, the lesser of: the greatest amount of principal, interest and premium, if any, required to be paid in any Fiscal Year on such Series; 125% of average amount of principal, interest and premium, if any, required to be paid on such Series during all Fiscal Years in which such Series will be Outstanding, calculated as of the date of issuance of such Series; or, ten percent of the proceeds of such Series, as “proceeds” is defined for purposes of Section 148(d) of the Code.

II. RECITALS

- A. Pursuant to Oregon Revised Statutes (“ORS”) Section 190.010, units of local government are authorized to enter into intergovernmental agreements with other units of local governments for the performance of any or all functions and activities that a party to the agreement, its officers or agencies, have the authority to perform.
- B. Each of the parties to this agreement is a “unit of local government” as defined in ORS Section 190.003. Each of the parties has the legal authority for the performance of any and all functions and activities set forth herein.
- C. The Agency, as the duly authorized and acting urban renewal agency of the City of the Dalles, Oregon is charged to undertake certain redevelopment activities in the redevelopment area pursuant to ORS Chapter 457 and the Columbia Gateway /Downtown Urban Renewal Plan approved by the City on August 23, 1990 by adoption of General Ordinance No. 90-1113 and amended as described in General Ordinance No. 09-1301 (the “Plan”).
- D. The Agency issued its Urban Renewal Bond, Series 2002 on September 24, 2002, in an original principal amount of \$4,555,000 of which \$2,400,000 is currently outstanding (the “Series 2002 Bond”). The Series 2002 Bond will be refinanced in full by the City in accordance with this Agreement.
- E. Pursuant to ORS 457.320, a municipality, the City in this case, is authorized to exercise any of its powers to assist in the planning or the carrying out of an urban renewal plan.

- F. Pursuant to ORS 271.390 the City has the power to enter into financing agreements and authorize the issuance of full faith and credit obligations on its behalf to finance and refinance real and personal property.
- G. Pursuant to ORS 457.190, the Agency is authorized to borrow money and accept advances, loans, grants and any other form of financial assistance from a public body for the purposes of undertaking and carrying out urban renewal projects.
- H. The City plans to enter into a financing agreement and provide for the issuance of Full Faith and Credit Obligations, Series 2009 (the "Obligations"), to finance real and personal property.
- I. The Agency requests that the City loan a portion of the Obligations to the Agency to assist with financing urban renewal projects as set forth in the Plan and to refinance the 2002 Bond (the "Assistance").

III. AGREEMENT

NOW, THEREFORE, pursuant to the provisions of ORS Chapters 457 and 190, and in consideration of the benefits to accrue to the City, the Agency, the community and the citizens from the Assistance, and in consideration of the covenants set forth therein, the City and Agency agree:

- 1. City Obligations.
 - a. The City shall take all actions necessary to contract for the issuance of the Obligations; and
 - b. At Closing, the City shall from a portion of the proceeds of the Obligations:
 - i. Cause an amount sufficient to refund the Series 2002 Bonds to be transferred to the Agency at closing of the Obligations for the purpose of refunding the Series 2002 Bonds in full; and
 - ii. Cause an amount to be determined by the City, subject to the limits set forth herein, to be transferred to the Agency for the purpose of financing: Project costs; any required reserve fund for the Series 2009 Note; the costs of issuance of the Obligations; the costs of issuance of the Series 2009 Note; and
 - c. The sum of the amounts transferred pursuant to Section 1. b. i. and 1. b. ii. above shall not exceed \$11,500,000; and

- d. The City shall determine the terms of the Obligations and the terms of the Series 2009 Note, including principal amounts, interest rates, maturity dates and other terms, subject to the limits of the Obligations and Series 2009 Note set forth in the City Resolution and Agency Resolution; and
- e. The City shall pay for costs of issuance of the Obligations in an amount proportional to the Obligation proceeds retained by the City for its own projects.

2. Agency Obligations.

- a. At Closing, the Agency shall provide to the City its Series 2009 Note in exchange for the transfer of proceeds described in paragraph 1. b. above, the form of which is attached hereto as Exhibit 1.
- b. The Series 2009 Note shall be issued in a principal amount equal to the sum of Obligation proceeds transferred pursuant to paragraph 1. b. i. and 1. b. ii. above; and
- c. The principal amounts, interest rates, maturity dates and other terms of the Series 2009 Note shall be determined by the City and the Agency; and
- d. The Agency shall pay for costs of issuance of the Series 2009 Note in full; and
- e. The Agency shall pay for costs of issuance of the Obligations in an amount proportional to the sum of Obligation proceeds transferred pursuant to paragraphs 1. b. i. and 1. b. ii. above.

3. Agency Covenants Pursuant to the Agency Resolution. The Agency hereby covenants that:

- i. It will comply with all provisions of the Code which are required for the Series 2009 Note interest to be excluded from gross income for federal income tax purposes or qualify as Build America Bonds (“BABs”) under the American Recovery and Reinvestment Tax Act of 2009, as applicable; and
- ii. No event of default under the Master Resolution, the Series 2002 Bonds, the 2002 Purchase Agreement has occurred or is occurring; and
- iii. No deficiencies exist in the Debt Service Account; and
- iv. The balance in the Reserve Account is at least equal to the Reserve Requirement on the date hereof, calculated as if the Series 2009 Note was outstanding; and

- v. The amount of Tax Increment Revenues for the most recently completed Fiscal Year is not less than 1.30 times Maximum Annual Debt Service on all of the Outstanding Bonds, with the Series 2002 Bonds being treated as defeased and the Series 2009 Note being treated as Outstanding; and
 - vi. At Closing, the Agency will deliver to the City a report from a Qualified Consultant projecting that, in each of the three fiscal years immediately following the issuance of the Series 2009 Note, inclusive of the year in which the Series 2009 Note is issued, the Tax Increment Revenues will be no less than 1.40 times the Maximum Annual Debt Service on all Outstanding Bonds, with the Series 2009 Note being treated as Outstanding.
4. Security and Agency Covenants.
- a. The Series 2009 Note shall not be a general obligation of the City, the Agency or Wasco County, Oregon. Payments due under this Agreement and the Series 2009 Note shall be payable solely from (i) the Tax Increment Revenues and (ii) the moneys and investments (including investment earnings thereon) on deposit in the Tax Increment Fund and the Reserve Account.
 - b. The Agency hereby irrevocably pledges the Tax Increment Revenues, including all amounts deposited in the Tax Increment Fund and the Reserve Account, to pay the Series 2009 Note and any parity Bonds. The lien on, and pledge of the Tax Increment Revenues to pay the Series 2009 Note and any Additional Bonds shall be superior to all other claims against the Tax Increment Revenues. The provision of this Agreement and the Agency Resolution shall be a contract with the City. The Agency has no obligations, other than the Series 2002 Bonds (which are being refunded with the proceeds of the Series 2009 Note), which are payable from the Tax Increment Revenues.
 - c. Tax Increment Revenues shall be deposited into the Tax Increment Fund when they are received by the Agency, and shall be used to pay amounts due under the Bonds and this Agreement when due in accordance with the Agency Resolution. Each Bond Year before amounts in the Tax Increment Fund are used for any other purpose: the Agency shall deposit into the Debt Service Account an amount which is sufficient to pay all principal, interest and premium, if any, which is scheduled to be paid in that Bond Year; and, the Agency shall deposit into the Reserve Account an amount which is sufficient to make the balance in the Reserve Account equal to the Reserve Requirement. Whenever the balance in the Reserve Account is less than the Reserve Requirement the Agency shall only withdraw Tax Increment Revenues from the Tax Increment Fund for payment of scheduled debt service on Bonds and to replenish the

Reserve Account, until the Reserve Account is fully funded. The Agency covenants that amounts in the Debt Service Account will be used to pay scheduled debt service on the Bonds.

- d. The Agency covenants to cause the maximum amount of the Tax Increment Revenues to be collected each Fiscal Year.
 - e. The Agency covenants not to amend the boundaries of the Area to reduce the amount of land contained in the Area unless the Agency obtains a written report from an independent consultant experienced in analyzing tax increment districts and their revenues projecting that following the revision of the boundary of the Area, Tax Increment Revenues will be no less than 1.30 times the Maximum Annual Debt Service on all Outstanding Bonds for the remaining life of the Bonds.
 - f. The Agency covenants and agrees not to approve any major amendments to the Plan that would require sharing of revenues with overlapping jurisdictions under ORS Chapter 457 unless the Agency receives a report from a Qualified Consultant projecting that, in each of the fiscal years following the Plan amendment that Bonds are Outstanding, inclusive of the year in which the Plan amendment is made, the Tax Increment Revenues will be no less than 1.30 times the Maximum Annual Debt Service on all Outstanding Bonds.
 - g. The Agency covenants and agrees that it will not incur any other form of indebtedness secured by a greater priority lien on the Tax Increment Revenues during the period any amounts are outstanding under this Agreement or the Series 2009 Note. The Agency may incur additional indebtedness on a parity with the Series 2009 Note and any Additional Bonds in accordance with Section 7. The Agency may also incur additional indebtedness secured by a lien on the Tax Increment Revenues subordinate to the lien of this Agreement and the Series 2009 Note.
5. Reserve Account.
- a. The Agency covenants to establish and maintain a Reserve Account. The Agency covenants to fund, maintain and use the Reserve Account as provided in this Section 5 as long as any Bonds are Outstanding. Except as specifically provided in this Section 5, amounts credited to the Reserve Account shall be used only to pay Bond principal, interest and premium, if any, and only if sufficient funds are not available in the Debt Service Account.
 - b. At the closing of the Series 2009 Note and each subsequent Series of Additional Bonds the Agency shall deposit into the Reserve Account an amount sufficient to make the balance in the Reserve Account at least equal to the Reserve Requirement.

The deposit may be made from Bond proceeds or other amounts available to the Agency.

- c. The Agency covenants to maintain a balance in the Reserve Account which is equal to the Reserve Requirement, but solely from deposits of Tax Increment Revenues pursuant to the Agency Resolution.
- d. Amounts in the Reserve Account shall be invested in Permitted Investments which shall mature not later than five years from the time of the investment. Permitted Investments in the Reserve Account shall be valued at the lesser of cost or market. The Agency shall value the amounts in the Reserve Account on as of the last day of each Bond Year and immediately following any transfer of amounts from the Reserve Accounts to the Debt Service Account.
- e. If the balance in the Reserve Account is less than the Reserve Requirement, the Agency shall begin making transfers of Tax Increment Revenues received by the Agency to the Reserve Account in Accordance with the Agency Resolution. The transfers shall continue until the balance in the Reserve Account is equal to the Reserve Requirement.
- f. If the balance in the Reserve Account exceeds the Reserve Requirement the Agency may transfer the excess to the Debt Service Account or if the balance in the Debt Service Account at that time is at least equal to the remaining, unpaid Annual Debt Service for that Fiscal Year, to the Subordinate Obligations Account.
- g. Earnings on the Reserve Account shall be credited to the Reserve Account whenever the balance in the Reserve Account is less than the Reserve Requirement; otherwise earnings on the Reserve Account shall be credited to the Debt Service Account.
- h. All amounts on deposit in the Reserve Account may be applied to the final payment (whether at maturity or by prior redemption) of Outstanding Bonds. Amounts so applied shall be credited against the amounts the Agency is required to transfer into the Debt Service Account under the Agency Resolution.
- i. Amounts in the Reserve Account may be transferred into escrow to defease Bonds, but only if the balance remaining in the Reserve Account after the transfer is at least equal to the Reserve Requirement for the Bonds which remain Outstanding after the defeasance.

6. Prepayment. The Series 2009 Note may be prepaid, subject to the redemption terms of the Obligations.

7. Additional Bonds.

A. The Agency may issue Additional Bonds if, at the time of issuing the Additional Bonds:

(i) No event of default under the Agency Resolution, the Series 2009 Note or the Assistance Agreement related to the Series 2009 Note has occurred and is occurring; and

(ii) No deficiencies exist in the Debt Service Account; and

(iii) The balance in the Reserve Account is at least equal to the Reserve Requirement on the date of closing of the Additional Bonds, calculated as if the Additional Bonds was outstanding; and

(iv) The Authorized Representative certifies that:

(1) The amount of Tax Increment Revenues for the most recently completed Fiscal Year was not less than 1.30 times Maximum Annual Debt Service on all of the Outstanding Bonds, with the Additional Bonds being treated as Outstanding, or

(2) The Agency receives a report from a Qualified Consultant projecting that, in each of the three Fiscal Years immediately following the issuance of the Additional Bonds, inclusive of the year in which the Additional Bonds is to be issued, the Tax Increment Revenues will be no less than 1.40 times the Maximum Annual Debt Service on all Outstanding Bonds, with the Additional Bonds being treated as Outstanding; and

i. No event of default under the Agency Resolution, the Series 2009 Note or this Agreement has occurred and is occurring; and

ii. No deficiencies exist in the Debt Service Account; and

iii. The balance in the Reserve Account is at least equal to the Reserve Requirement on the date of closing of the Additional Bonds, calculated as if the Additional Bonds were outstanding; and

iv. The Authorized Representative certifies that the amount of Tax Increment Revenues for the most recently completed Fiscal Year was not less than 1.30 times Maximum Annual Debt Service on all of the Outstanding Bonds, with the Additional Bonds being treated as Outstanding.

8. Default.
- a. If an Event of Default occurs, the City may exercise any remedy available at law or in equity.
 - b. If at any time the City or the Agency becomes aware that it is not reasonably able to complete its obligations under this Agreement, it shall immediately inform the other party of this fact in writing, describing the difficulty in performance and proposing an amendment to this Agreement that would resolve the difficulty. The parties shall thereafter work together in good faith to agree to an amendment to this Agreement. An amendment to this Agreement may be approved only by action of the parties' respective governing bodies, and signed by their respective executive officers.
 - c. If the Obligations have been sold the Agency shall not terminate this Agreement.
9. Closing. The transfers described in paragraph 1. b. above shall be executed and the Series 2009 Note shall be delivered upon Closing of the Obligations.
10. Notices. The Authorized Representative of the Agency is _____. The Authorized Representative of the City is _____. Notices to the City and Agency shall be addressed to their respective officer in care of _____.
11. Authority.
- a. The City and Agency have each taken the actions necessary to authorize this Agreement and no challenge or appeal to such actions is pending.
 - b. The parties signing below are authorized to execute this Agreement on behalf of their respective bodies.
12. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same agreement.

CITY OF THE DALLES, WASCO COUNTY, OREGON

By _____

COLUMBIA GATEWAY URBAN RENEWAL AGENCY OF
THE CITY OF THE DALLES, OREGON

By _____

EXHIBIT 1 – SPECIMEN NOTE

No. R-1

\$ _____

UNITED STATES OF AMERICA
STATE OF OREGON

COLUMBIA GATEWAY URBAN RENEWAL AGENCY
OF THE CITY OF THE DALLES, WASCO COUNTY, OREGON
COLUMBIA GATEWAY/DOWNTOWN AREA
URBAN RENEWAL NOTE
SERIES 2009

DATED: _____, 2009

MATURITY DATE: _____, 2009

The Columbia Gateway Urban Renewal Agency of the City of The Dalles, Wasco County, Oregon (the "Agency"), for value received acknowledges itself indebted and hereby promises to pay, but solely from the sources described herein, to the City of The Dalles, Wasco County, Oregon (the "City"), the principal amount of _____ DOLLARS (\$ _____) together with interest thereon from the date hereof at the rate of interest described herein, and in the Assistance Agreement between the Agency and the City which is dated _____, 2009 (the "Agreement"). All principal and interest on this Note are due and payable as set forth below, unless accelerated in accordance with the terms of the Agreement:

Maturity Date	Principal Amount	Interest Rate
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This Note is a special obligation of the Agency, payable solely from (1) the Tax Increment Revenues of the Columbia Gateway/Downtown Area as provided in a Resolution of the Agency adopted on September 14, 2009 (the "Resolution") and (2) to the extent that the Tax Increment Revenues of the Columbia Gateway/Downtown Area are insufficient to pay the debt service on this Note when due, the unexpended proceeds of this Note.

The provisions of the Resolution and the Agreement are incorporated into this Note by reference.

THIS NOTE IS NOT A GENERAL OBLIGATION OF THE AGENCY OR THE CITY OF THE DALLES, AND IS PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN AND IN THE

RESOLUTION.

This Note is issued by the Agency for the purpose of paying the costs of refinancing the Columbia Gateway/Downtown Urban Renewal Bond, Series 2002 and redevelopment projects within the Columbia Gateway/Downtown Area, in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon.

The Agency has pledged the Tax Increment Revenues of the Columbia Gateway/Downtown Area, as defined and described in the Resolution, to pay this Note. The pledge of the Tax Increment Revenues to pay this Note is not subordinate to any other lien on, or pledge of, such Tax Increment Revenues.

This Note is subject to optional and mandatory prepayment as provided in the Agreement.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all conditions, acts and things required to exist, to happen, and to be preformed precedent to and in the issuance of this Note have existed, have happened and have been performed in due time, form and manner as required by the Constitution and Statutes of the State of Oregon; and that the issue of which this Note is a part, and all other obligations of the Agency, are within every debt limitation and other limit prescribed by such Constitution and Statutes.

IN WITNESS WHEREOF, the Agency has caused this Note to be signed by its duly authorized representative, as of the date indicated above.

COLUMBIA GATEWAY URBAN RENEWAL AGENCY
OF THE CITY OF THE DALLES,
WASCO COUNTY, OREGON

Authorized Representative

ASSISTANCE AGREEMENT

This Agreement is made this ____ day of September 2009, by and between the CITY OF THE DALLES, a municipal corporation of the State of Oregon (the "City") and the COLUMBIA GATEWAY URBAN RENEWAL AGENCY OF THE CITY OF THE DALLES, Oregon, a public body created under ORS Chapter 457 (the "Agency").

I. DEFINITIONS

For purposes of this Agreement, capitalized terms not defined in this Agreement have the meanings defined for those terms in the Agency Resolution (defined herein), and the following capitalized terms shall have the following meanings, unless the context clearly requires otherwise:

"Additional Bonds" means obligations issued in compliance with the requirements of Section 5 of this Agreement which are secured by a lien on, and pledge of, the Tax Increment Revenues which is on a parity with the lien on, and pledge of Tax Increment Revenues which secures the Series 2009 Note.

"Agency" means the Columbia Gateway Urban Renewal Agency of the City of The Dalles, Oregon.

"Agency Resolution" means collectively the Master Resolution and the First Supplemental Resolution.

"Agreement" means this Assistance Agreement.

"Area" means the Columbia Gateway/Downtown Area which is described in the Plan, and all additions thereto.

"Authorized Representative" means, each individually, the City Manager or Finance Director of the City or their designee.

"Bond Year" means each period which begins on July 1 and ends the following June 30.

"Bonds" or "Bond" means the Series 2009 Note or any other obligations and any Additional Bonds issued in compliance with the requirements of Section 7 below and the Master Resolution.

"City" means the city of The Dalles, Wasco County, Oregon.

"City Resolution" means the City's Resolution No. 09-028 adopted September 14, 2009 authorizing the Assistance and this Agreement.

“Closing” means the time the Obligations are issued and exchanged for their purchase price.

“Escrow Agent” means Wells Fargo Bank, National Association or its successors or assigns.

“Event of Default” means a determination by the City that there has been (1) a failure to pay principal and interest on the Series 2009 Note when due, (2) a failure by the Agency to comply with any of its obligations under this Agreement, the Agency Resolution or the Series 2009 Note, which failure continues for a more than 60 days after the City has made written demand to cure, or (3) a material misrepresentation by the Agency in this Agreement or the Series 2009 Note.

“Government Obligations” means direct noncallable obligations of the United States, or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States.

“First Supplemental Resolution” means the Agency’s First Supplemental Resolution No. 09-065 adopted September 14, 2009, authorizing the issuance of the Series 2009 Note and this Agreement.

“Master Resolution” means the Agency’s Resolution No. 02-046 adopted on September 23, 2002.

“Obligations” means the City’s Full Faith and Credit Obligations, Series 2009 in the aggregate principal amount not to exceed \$14,000,000.

“Permitted Investments” means any investments in which the Agency is authorized to invest surplus funds under the laws of the State of Oregon.

“Reserve Requirement” means the lesser of Maximum Annual Debt Service on all Outstanding Bonds or the amount described in the next sentence. If, at the time of issuance of a Series of 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 exceeds the Tax Maximum calculated with respect to that Series, then the Reserve Requirement means the Reserve Requirement in effect immediately before the issuance of that Series of Bonds (calculated as if that Series of Bonds were not Outstanding), plus the Tax Maximum for the Series of Bonds.

“Series 2002 Bond” means the Agency’s Urban Renewal Bond, Series 2002 issued on September 24, 2002, in an original principal amount of \$4,555,000 of which \$2,400,000 is currently outstanding that will be refinanced through this Assistance Agreement and the issuance of the Obligations.

“Series 2009 Note” means the Agency’s Urban Renewal Note, Series 2009 evidencing the amount owed under this Agreement and issued to finance the Project, the refinancing

of the Series 2002 Bond, any required reserve fund for the Series 2009 Note, the costs of issuance of the Series 2009 and a portion of the costs of issuance of the Obligations.

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

“Tax Maximum” means, for any Series of Bonds, the lesser of: the greatest amount of principal, interest and premium, if any, required to be paid in any Fiscal Year on such Series; 125% of average amount of principal, interest and premium, if any, required to be paid on such Series during all Fiscal Years in which such Series will be Outstanding, calculated as of the date of issuance of such Series; or, ten percent of the proceeds of such Series, as “proceeds” is defined for purposes of Section 148(d) of the Code.

II. RECITALS

- A. Pursuant to Oregon Revised Statutes (“ORS”) Section 190.010, units of local government are authorized to enter into intergovernmental agreements with other units of local governments for the performance of any or all functions and activities that a party to the agreement, its officers or agencies, have the authority to perform.
- B. Each of the parties to this agreement is a “unit of local government” as defined in ORS Section 190.003. Each of the parties has the legal authority for the performance of any and all functions and activities set forth herein.
- C. The Agency, as the duly authorized and acting urban renewal agency of the City of the Dalles, Oregon is charged to undertake certain redevelopment activities in the redevelopment area pursuant to ORS Chapter 457 and the Columbia Gateway /Downtown Urban Renewal Plan approved by the City on August 23, 1990 by adoption of General Ordinance No. 90-1113 and amended as described in General Ordinance No. 09-1301 (the “Plan”).
- D. The Agency issued its Urban Renewal Bond, Series 2002 on September 24, 2002, in an original principal amount of \$4,555,000 of which \$2,400,000 is currently outstanding (the “Series 2002 Bond”). The Series 2002 Bond will be refinanced in full by the City in accordance with this Agreement.
- E. Pursuant to ORS 457.320, a municipality, the City in this case, is authorized to exercise any of its powers to assist in the planning or the carrying out of an urban renewal plan.

- F. Pursuant to ORS 271.390 the City has the power to enter into financing agreements and authorize the issuance of full faith and credit obligations on its behalf to finance and refinance real and personal property.
- G. Pursuant to ORS 457.190, the Agency is authorized to borrow money and accept advances, loans, grants and any other form of financial assistance from a public body for the purposes of undertaking and carrying out urban renewal projects.
- H. The City plans to enter into a financing agreement and provide for the issuance of Full Faith and Credit Obligations, Series 2009 (the "Obligations"), to finance real and personal property.
- I. The Agency requests that the City loan a portion of the Obligations to the Agency to assist with financing urban renewal projects as set forth in the Plan and to refinance the 2002 Bond (the "Assistance").

III. AGREEMENT

NOW, THEREFORE, pursuant to the provisions of ORS Chapters 457 and 190, and in consideration of the benefits to accrue to the City, the Agency, the community and the citizens from the Assistance, and in consideration of the covenants set forth therein, the City and Agency agree:

- 1. City Obligations.
 - a. The City shall take all actions necessary to contract for the issuance of the Obligations; and
 - b. At Closing, the City shall from a portion of the proceeds of the Obligations:
 - i. Cause an amount sufficient to refund the Series 2002 Bonds to be transferred to the Agency at closing of the Obligations for the purpose of refunding the Series 2002 Bonds in full; and
 - ii. Cause an amount to be determined by the City, subject to the limits set forth herein, to be transferred to the Agency for the purpose of financing: Project costs; any required reserve fund for the Series 2009 Note; the costs of issuance of the Obligations; the costs of issuance of the Series 2009 Note; and
 - c. The sum of the amounts transferred pursuant to Section 1. b. i. and 1. b. ii. above shall not exceed \$11,500,000; and

- d. The City shall determine the terms of the Obligations and the terms of the Series 2009 Note, including principal amounts, interest rates, maturity dates and other terms, subject to the limits of the Obligations and Series 2009 Note set forth in the City Resolution and Agency Resolution; and
- e. The City shall pay for costs of issuance of the Obligations in an amount proportional to the Obligation proceeds retained by the City for its own projects.

2. Agency Obligations.

- a. At Closing, the Agency shall provide to the City its Series 2009 Note in exchange for the transfer of proceeds described in paragraph 1. b. above, the form of which is attached hereto as Exhibit 1.
- b. The Series 2009 Note shall be issued in a principal amount equal to the sum of Obligation proceeds transferred pursuant to paragraph 1. b. i. and 1. b. ii. above; and
- c. The principal amounts, interest rates, maturity dates and other terms of the Series 2009 Note shall be determined by the City and the Agency; and
- d. The Agency shall pay for costs of issuance of the Series 2009 Note in full; and
- e. The Agency shall pay for costs of issuance of the Obligations in an amount proportional to the sum of Obligation proceeds transferred pursuant to paragraphs 1. b. i. and 1. b. ii. above.

3. Agency Covenants Pursuant to the Agency Resolution. The Agency hereby covenants that:

- i. It will comply with all provisions of the Code which are required for the Series 2009 Note interest to be excluded from gross income for federal income tax purposes or qualify as Build America Bonds (“BABs”) under the American Recovery and Reinvestment Tax Act of 2009, as applicable; and
- ii. No event of default under the Master Resolution, the Series 2002 Bonds, the 2002 Purchase Agreement has occurred or is occurring; and
- iii. No deficiencies exist in the Debt Service Account; and

- iv. The balance in the Reserve Account is at least equal to the Reserve Requirement on the date hereof, calculated as if the Series 2009 Note was outstanding; and
- v. The amount of Tax Increment Revenues for the most recently completed Fiscal Year is not less than 1.30 times Maximum Annual Debt Service on all of the Outstanding Bonds, with the Series 2002 Bonds being treated as defeased and the Series 2009 Note being treated as Outstanding; and
- vi. At Closing, the Agency will deliver to the City a report from a Qualified Consultant projecting that, in each of the three fiscal years immediately following the issuance of the Series 2009 Note, inclusive of the year in which the Series 2009 Note is issued, the Tax Increment Revenues will be no less than 1.40 times the Maximum Annual Debt Service on all Outstanding Bonds, with the Series 2009 Note being treated as Outstanding.

4. Security and Agency Covenants.

- a. The Series 2009 Note shall not be a general obligation of the City, the Agency or Wasco County, Oregon. Payments due under this Agreement and the Series 2009 Note shall be payable solely from (i) the Tax Increment Revenues and (ii) the moneys and investments (including investment earnings thereon) on deposit in the Tax Increment Fund and the Reserve Account.
- b. The Agency hereby irrevocably pledges the Tax Increment Revenues, including all amounts deposited in the Tax Increment Fund and the Reserve Account, to pay the Series 2009 Note and any parity Bonds. The lien on, and pledge of the Tax Increment Revenues to pay the Series 2009 Note and any Additional Bonds shall be superior to all other claims against the Tax Increment Revenues. The provision of this Agreement and the Agency Resolution shall be a contract with the City. The Agency has no obligations, other than the Series 2002 Bonds (which are being refunded with the proceeds of the Series 2009 Note), which are payable from the Tax Increment Revenues.
- c. Tax Increment Revenues shall be deposited into the Tax Increment Fund when they are received by the Agency, and shall be used to pay amounts due under the Bonds and this Agreement when due in accordance with the Agency Resolution. Each Bond Year before amounts in the Tax Increment Fund are used for any other purpose: the Agency shall deposit into the Debt Service Account an amount which is sufficient to pay all principal, interest and premium, if any, which is scheduled to be paid in that Bond Year; and, the Agency shall deposit into the Reserve Account an amount which is sufficient to make the balance in the Reserve Account

equal to the Reserve Requirement. Whenever the balance in the Reserve Account is less than the Reserve Requirement the Agency shall only withdraw Tax Increment Revenues from the Tax Increment Fund for payment of scheduled debt service on Bonds and to replenish the Reserve Account, until the Reserve Account is fully funded. The Agency covenants that amounts in the Debt Service Account will be used to pay scheduled debt service on the Bonds.

- d. The Agency covenants to cause the maximum amount of the Tax Increment Revenues to be collected each Fiscal Year.
- e. The Agency covenants not to amend the boundaries of the Area to reduce the amount of land contained in the Area unless the Agency obtains a written report from an independent consultant experienced in analyzing tax increment districts and their revenues projecting that following the revision of the boundary of the Area, Tax Increment Revenues will be no less than 1.30 times the Maximum Annual Debt Service on all Outstanding Bonds for the remaining life of the Bonds.
- f. The Agency covenants and agrees not to approve any major amendments to the Plan that would require sharing of revenues with overlapping jurisdictions under ORS Chapter 457 unless the Agency receives a report from a Qualified Consultant projecting that, in each of the fiscal years following the Plan amendment that Bonds are Outstanding, inclusive of the year in which the Plan amendment is made, the Tax Increment Revenues will be no less than 1.30 times the Maximum Annual Debt Service on all Outstanding Bonds.
- g. The Agency covenants and agrees that it will not incur any other form of indebtedness secured by a greater priority lien on the Tax Increment Revenues during the period any amounts are outstanding under this Agreement or the Series 2009 Note. The Agency may incur additional indebtedness on a parity with the Series 2009 Note and any Additional Bonds in accordance with Section 7. The Agency may also incur additional indebtedness secured by a lien on the Tax Increment Revenues subordinate to the lien of this Agreement and the Series 2009 Note.

5. Reserve Account.

- a. The Agency covenants to establish and maintain a Reserve Account. The Agency covenants to fund, maintain and use the Reserve Account as provided in this Section 5 as long as any Bonds are Outstanding. Except as specifically provided in this Section 5, amounts credited to the Reserve Account shall be used only to pay Bond principal, interest and premium, if any, and only if sufficient funds are not available in the Debt Service Account.

- b. At the closing of the Series 2009 Note and each subsequent Series of Additional Bonds the Agency shall deposit into the Reserve Account an amount sufficient to make the balance in the Reserve Account at least equal to the Reserve Requirement. The deposit may be made from Bond proceeds or other amounts available to the Agency.
- c. The Agency covenants to maintain a balance in the Reserve Account which is equal to the Reserve Requirement, but solely from deposits of Tax Increment Revenues pursuant to the Agency Resolution.
- d. Amounts in the Reserve Account shall be invested in Permitted Investments which shall mature not later than five years from the time of the investment. Permitted Investments in the Reserve Account shall be valued at the lesser of cost or market. The Agency shall value the amounts in the Reserve Account on as of the last day of each Bond Year and immediately following any transfer of amounts from the Reserve Accounts to the Debt Service Account.
- e. If the balance in the Reserve Account is less than the Reserve Requirement, the Agency shall begin making transfers of Tax Increment Revenues received by the Agency to the Reserve Account in accordance with the Agency Resolution. The transfers shall continue until the balance in the Reserve Account is equal to the Reserve Requirement.
- f. If the balance in the Reserve Account exceeds the Reserve Requirement the Agency may transfer the excess to the Debt Service Account or if the balance in the Debt Service Account at that time is at least equal to the remaining, unpaid Annual Debt Service for that Fiscal Year, to the Subordinate Obligations Account.
- g. Earnings on the Reserve Account shall be credited to the Reserve Account whenever the balance in the Reserve Account is less than the Reserve Requirement; otherwise earnings on the Reserve Account shall be credited to the Debt Service Account.
- h. All amounts on deposit in the Reserve Account may be applied to the final payment (whether at maturity or by prior redemption) of Outstanding Bonds. Amounts so applied shall be credited against the amounts the Agency is required to transfer into the Debt Service Account under the Agency Resolution.
- i. Amounts in the Reserve Account may be transferred into escrow to defease Bonds, but only if the balance remaining in the Reserve Account after the transfer is at least equal to the Reserve Requirement for the Bonds which remain Outstanding after the defeasance.

6. Prepayment. The Series 2009 Note may be prepaid, subject to the redemption terms of the Obligations.

7. Additional Bonds.

A. The Agency may issue Additional Bonds if, at the time of issuing the Additional Bonds:

(i) No event of default under the Agency Resolution, the Series 2009 Note or the Assistance Agreement related to the Series 2009 Note has occurred and is occurring; and

(ii) No deficiencies exist in the Debt Service Account; and

(iii) The balance in the Reserve Account is at least equal to the Reserve Requirement on the date of closing of the Additional Bonds, calculated as if the Additional Bonds was outstanding; and

(iv) The Authorized Representative certifies that:

(1) The amount of Tax Increment Revenues for the most recently completed Fiscal Year was not less than 1.30 times Maximum Annual Debt Service on all of the Outstanding Bonds, with the Additional Bonds being treated as Outstanding, or

(2) The Agency receives a report from a Qualified Consultant projecting that, in each of the three Fiscal Years immediately following the issuance of the Additional Bonds, inclusive of the year in which the Additional Bonds is to be issued, the Tax Increment Revenues will be no less than 1.40 times the Maximum Annual Debt Service on all Outstanding Bonds, with the Additional Bonds being treated as Outstanding; and

i. No event of default under the Agency Resolution, the Series 2009 Note or this Agreement has occurred and is occurring; and

ii. No deficiencies exist in the Debt Service Account; and

iii. The balance in the Reserve Account is at least equal to the Reserve Requirement on the date of closing of the Additional Bonds, calculated as if the Additional Bonds were outstanding; and

iv. The Authorized Representative certifies that the amount of Tax Increment Revenues for the most recently completed Fiscal Year was not less than 1.30 times Maximum Annual Debt Service on all

of the Outstanding Bonds, with the Additional Bonds being treated as Outstanding.

8. Default.
 - a. If an Event of Default occurs, the City may exercise any remedy available at law or in equity.
 - b. If at any time the City or the Agency becomes aware that it is not reasonably able to complete its obligations under this Agreement, it shall immediately inform the other party of this fact in writing, describing the difficulty in performance and proposing an amendment to this Agreement that would resolve the difficulty. The parties shall thereafter work together in good faith to agree to an amendment to this Agreement. An amendment to this Agreement may be approved only by action of the parties' respective governing bodies, and signed by their respective executive officers.
 - c. If the Obligations have been sold the Agency shall not terminate this Agreement.
9. Closing. The transfers described in paragraph 1. b. above shall be executed and the Series 2009 Note shall be delivered upon Closing of the Obligations.
10. Notices. The Authorized Representative of the Agency is _____. The Authorized Representative of the City is _____. Notices to the City and Agency shall be addressed to their respective officer in care of _____.
11. Authority.
 - a. The City and Agency have each taken the actions necessary to authorize this Agreement and no challenge or appeal to such actions is pending.
 - b. The parties signing below are authorized to execute this Agreement on behalf of their respective bodies.
12. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same agreement.

CITY OF THE DALLES, WASCO COUNTY, OREGON

By _____

COLUMBIA GATEWAY URBAN RENEWAL AGENCY
OF THE CITY OF THE DALLES, OREGON

By _____

EXHIBIT 1 – SPECIMEN NOTE

No. R-1

\$ _____

UNITED STATES OF AMERICA
STATE OF OREGON

COLUMBIA GATEWAY URBAN RENEWAL AGENCY
OF THE CITY OF THE DALLES, WASCO COUNTY, OREGON
COLUMBIA GATEWAY/DOWNTOWN AREA
URBAN RENEWAL NOTE
SERIES 2009

DATED: _____, 2009

MATURITY DATE: _____, 2009

The Columbia Gateway Urban Renewal Agency of the City of The Dalles, Wasco County, Oregon (the "Agency"), for value received acknowledges itself indebted and hereby promises to pay, but solely from the sources described herein, to the City of The Dalles, Wasco County, Oregon (the "City"), the principal amount of _____ DOLLARS (\$ _____) together with interest thereon from the date hereof at the rate of interest described herein, and in the Assistance Agreement between the Agency and the City which is dated _____, 2009 (the "Agreement"). All principal and interest on this Note are due and payable as set forth below, unless accelerated in accordance with the terms of the Agreement:

Maturity Date

Principal Amount

Interest Rate

This Note is a special obligation of the Agency, payable solely from (1) the Tax Increment Revenues of the Columbia Gateway/Downtown Area as provided in a Resolution of the Agency adopted on September 14, 2009 (the "Resolution") and (2) to the extent that the Tax Increment Revenues of the Columbia Gateway/Downtown Area are insufficient to pay the debt service on this Note when due, the unexpended proceeds of this Note.

The provisions of the Resolution and the Agreement are incorporated into this Note by reference.

THIS NOTE IS NOT A GENERAL OBLIGATION OF THE AGENCY OR THE CITY OF THE DALLES, AND IS PAYABLE SOLELY FROM THE SOURCES DESCRIBED HEREIN AND IN THE RESOLUTION.

This Note is issued by the Agency for the purpose of paying the costs of refinancing the Columbia Gateway/Downtown Urban Renewal Bond, Series 2002 and redevelopment projects within the Columbia Gateway/Downtown Area, in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon.

The Agency has pledged the Tax Increment Revenues of the Columbia Gateway/Downtown Area, as defined and described in the Resolution, to pay this Note. The pledge of the Tax Increment Revenues to pay this Note is not subordinate to any other lien on, or pledge of, such Tax Increment Revenues.

This Note is subject to optional and mandatory prepayment as provided in the Agreement.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all conditions, acts and things required to exist, to happen, and to be preformed precedent to and in the issuance of this Note have existed, have happened and have been performed in due time, form and manner as required by the Constitution and Statutes of the State of Oregon; and that the issue of which this Note is a part, and all other obligations of the Agency, are within every debt limitation and other limit prescribed by such Constitution and Statutes.

IN WITNESS WHEREOF, the Agency has caused this Note to be signed by its duly authorized representative, as of the date indicated above.

COLUMBIA GATEWAY URBAN RENEWAL AGENCY
OF THE CITY OF THE DALLES,
WASCO COUNTY, OREGON

Authorized Representative