

183537

Exhibit A to Ordinance

BOND DECLARATION

City of Portland, Oregon

Lents Town Center Urban Renewal and Redevelopment Bonds

**2010 Series A
(Federally Taxable)**

**2010 Series B
(Tax-Exempt)**

**2010 Series C
(Taxable Build America Bonds")**

Executed by the Debt Manager of the City of Portland, Oregon

As of the __ day of March, 2010

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BOND DECLARATION

1.1. THIS BOND DECLARATION is executed as of ____, 2010, by the Debt Manager of the City of Portland, Oregon pursuant to the authority granted to the Debt Manager by City Ordinance No. ____ to establish the terms under which the City's Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A, 2010 Series B, 2010 Series C and future parity obligations may be issued.

Section 2. Findings.

The Council finds:

2.1. The City and the Portland Development Commission have formed the Lents Town Center Urban Renewal Area in compliance with the requirements of Oregon law. Ordinance No. 172671, approving the urban renewal plan, was enacted on September 9, 1998, and no petitions were filed with the City or the Portland Development Commission seeking to refer the ordinance creating the plan and the Lents Town Center Urban Renewal Area to City voters.

2.2. Ordinance No. 181968 amended the urban renewal plan for the Lents Town Center Urban Renewal Area to establish a maximum indebtedness for the Area of \$245,000,000. As of the date of this Declaration the City has issued ____ of indebtedness for the Area, including the 2010 Bonds.

2.3. This Declaration provides the terms under which the City's Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A, 2010 Series B, and 2010 Series C are issued. This Declaration also states the terms under which future obligations may be issued on a parity with these Bonds.

2.4. In its Resolution No. ____, adopted on ____, the Portland Development Commission has requested the City to issue the 2010 Series A Bonds pursuant to Section 15-106 of the Charter of the City of Portland.

Section 3. Definitions.

Unless the context clearly requires otherwise, the following terms shall have the following meanings:

"2010 Bond Insurance Policy" means the municipal bond new issue insurance policy issued by the Bond Insurer that guarantees payment of principal of and interest on the Bonds.

"2010 Bond Insurer" means _____, or any successor thereto.

"2010 Bonds" means the 2010 Series A Bonds, the 2010 Series B Bonds and the 2010 Series C Bonds.

“2010 Reserve Credit Facility” means a Credit Facility in which provider of the Credit Facility unconditionally agrees to provide the City with funds to be used to pay debt service on 2010 Bonds, in lieu of making withdrawals from the First Reserve Subaccount.

“2010 Series A Bonds” means the City’s Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A (Federally Taxable) which are described in Section 14 of this Declaration.

“2010 Series B Bonds” means the City’s Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series B (Tax-Exempt) which are described in Section 14 of this Declaration.

“2010 Series C Bonds” means the City’s Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series C (Taxable Build America Bonds) which are described in Section 14 of this Declaration.

“Adjusted Annual Debt Service” means Annual Debt Service for a Fiscal Year, reduced by the amount of any Federal Interest Subsidy that the City is entitled to receive for Bond interest in that Fiscal Year.

“Annual Debt Service” means the amount required to be paid in a Fiscal Year of principal and interest on Outstanding Bonds, calculated as follows:

- (i) Interest which is to be paid from proceeds of Bonds shall be subtracted.
- (ii) Bonds which are subject to scheduled, noncontingent redemption or tender shall be deemed to mature on the dates and in the amounts which are subject to mandatory redemption or tender, and only the amount scheduled to be Outstanding on the final maturity date shall be treated as maturing on that date.
- (iii) Bonds which are subject to contingent redemption or tender shall be treated as maturing on their stated maturity dates.
- (iv) Variable Rate Obligations shall bear interest from the date of computation until maturity at their Estimated Average Interest Rate.
- (v) Each Balloon Payment shall be assumed to be paid according to its Balloon Debt Service Requirement.
- (vi) City Payments to be made in the Fiscal Year under a Parity Exchange Agreement shall increase Annual Debt Service, and Reciprocal Payments to be received in the Fiscal Year under a Parity Exchange Agreement shall reduce Annual Debt Service.

“Area” means the Lents Town Center Urban Renewal Area which is described in the Plan, as it may be amended from time to time.

“Balloon Debt Service Requirement” means the Committed Debt Service Requirement for a Balloon Payment or, if the City has not entered into a firm commitment to sell Bonds or other obligations to refund that Balloon Payment, the Estimated Debt Service Requirement for that Balloon Payment.

“Balloon Payment” means any principal payment for a Series of Bonds which comprises more than twenty-five percent of the original principal amount of that Series, but only if that principal payment is designated as a Balloon Payment in the closing documents for the Series.

“Base Period” means any 12 consecutive months from the 24 full months preceding the issuance of a series of Parity Indebtedness.

“BEO” means “book-entry-only” and refers to a system for clearance and settlement of securities transactions through electronic book-entry changes, which eliminates the need for physical movement of securities.

“Bond Buyer 20 Bond Index” means the 20-Bond GO Index published by The Bond Buyer. However, if that index ceases to be available, “Bond Buyer 20 Bond Index” means an index reasonably selected by the City which is widely available to dealers in municipal securities, and which measures the interest rate of high quality, long-term, fixed rate municipal securities.

“Bonds” means the 2010 Series A Bonds and any Parity Indebtedness.

“Business Day” means any day except a Saturday, a Sunday, a legal holiday, a day on which the offices of banks in Oregon or New York are authorized or required by law or executive order to remain closed, or a day on which the New York Stock Exchange is closed.

“City Payment” means any scheduled payment required to be made by or on behalf of the City under an Exchange Agreement which is either fixed in amount or is determined according to a formula set forth in the Exchange Agreement.

“City” means the City of Portland, Oregon.

“Closing” means the date on which a Series of Bonds is delivered in exchange for payment.

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

“Commission” means the Portland Development Commission of the City of Portland.

“Committed Debt Service Requirement” means the schedule of principal and interest payments for a Series of Bonds or other obligations which refund a Balloon Payment, as shown in the documents evidencing the City’s firm commitment to sell that Series. A “firm commitment to sell” means a bond purchase agreement or similar document which obligates the City to sell, and obligates a purchaser to purchase, the Series of refunding Bonds or other obligations, subject only to the conditions which customarily are included in such documents.

“Credit Facility” means a letter of credit, a municipal bond insurance policy, a surety bond, standby bond purchase agreement or other credit enhancement device which is obtained by the City to secure Bonds, and which is issued or unconditionally guaranteed by an entity whose long-term debt obligations or claims-paying ability (as appropriate) are rated, at the time the Credit Facility is issued, in one of the three highest rating categories by a Rating Agency which rated the Bonds secured by the Credit Facility. Under rating systems in effect on the date of this Declaration, a rating in one of the three highest rating categories by a Rating Agency would be a rating of “A” or better.

“Debt Manager” means the Debt Manager of the City, the Director of the Bureau of Financial Services of the City, the Chief Administrative Officer of the Office of Management and Finance of the City, or the person designated by the Chief Administrative Officer of the Office of Management and Finance to act as Debt Manager under this Declaration.

“Debt Service” means Bond principal, interest and any premium.

“Debt Service Account” means the account of that name in the Parity Indebtedness Fund described in Section 5.2.

“Declaration” means this Declaration authorizing the 2010 Series A Bonds, as it may be amended from time to time pursuant to Section 9.

“Defeasance Obligations” means (i) direct, noncallable obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury and principal-only and interest-only strips that are issued by the U.S. Treasury); or (ii) noncallable obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; or (iii) any noncallable debt securities listed in Appendix B.

“Divide the Taxes Revenues” means the taxes which are divided based on the increase in value of property in the Area and which are payable to the City or the Commission under the provisions of Article IX, Section 1c of the Oregon Constitution and ORS Chapter 457, as those provisions exist on the date the 2010 Series A Bonds are issued.

“DTC” means the Depository Trust Company of New York, and any successors to its rights and obligations, the initial securities depository for the Bonds.

“Estimated Average Interest Rate” is the interest rate that Variable Rate Obligations are assumed to bear, and shall be calculated as provided in Section 6.5.

“Estimated Debt Service Requirement” means the schedule of principal and interest payments for a hypothetical Series of Bonds that refunds a Balloon Payment that is prepared by the Debt Manager and that meets the requirements of Section 6.6.

“Event of Default” refers to an Event of Default listed in Section 10.1 of this Declaration.

“Exchange Agreement” means a swap, cap, floor, collar or similar transaction which includes a written contract between the City and a Reciprocal Payor under which the City is obligated to make one or more City Payments in exchange for the Reciprocal Payor’s obligation to pay one or more Reciprocal Payments, and which provides that:

(a) the Reciprocal Payments are to be deposited directly into the Parity Indebtedness Account; and,

(b) the City is not required to fulfill its obligations under the contract if: (i) the Reciprocal Payor fails to make any Reciprocal Payment; or (ii) the Reciprocal Payor fails to comply with its financial status covenants.

“Federal Interest Subsidy” means an interest subsidy payment that the City is entitled to receive from the United States United for Taxable Bonds such as “Build America Bonds.” When calculation Maximum Annual Debt Service for any Fiscal Year, the Federal Interest subsidy shall be determined based on the laws in effect on the date the calculation is made.

“First Reserve Subaccount” means the subaccount in the Reserve Account that secures the 2010 Series A Bonds and is described in Section 5.4.

“First Reserve Subaccount Funding Requirement” means an amount equal to the lesser of the Maximum Annual Debt Service on all Outstanding Bonds that are secured by the First Reserve Subaccount or the amount described in the next sentence. If at the time of issuance of a Series of Bonds that are secured by the First Reserve Subaccount, the amounts required to be added to that subaccount to make the balance in that subaccount equal to Maximum Annual Debt Service on all Outstanding Bonds that are secured by that subaccount exceeds the Tax Maximum for the Series of Bonds being issued, then the First Reserve Subaccount Funding Requirement shall mean the First Reserve Subaccount Funding Requirement in effect immediately prior to the issuance of that Series of Bonds, plus the Tax Maximum calculated with respect to that Series of Bonds. On the date of this Declaration the only Bonds that are Outstanding and are secured by the First Reserve Subaccount are the 2010 Bonds, and the First Reserve Subaccount Funding Requirement is equal to \$_____, which is the Maximum Annual Debt Service on the 2010 Bonds as of the date of Closing of the 2010 Bonds, with the 2010 Bonds treated as a single Series.

“First Reserve Subaccount Policy” means the Municipal Bond Debt Service Reserve Fund Policy issued by the 2010 Bond Insurer in connection with the 2010 Series A Bonds.

“First Reserve Subaccount Valuation Date” means the first Business Day of each Fiscal Year, each date on which amounts are withdrawn from the First Reserve Subaccount, and each Closing date for a Series of Bonds that is secured by the First Reserve Subaccount.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or as otherwise defined by Oregon law.

“Lents Town Center Tax Increment Revenues” means the Divide the Taxes Revenues, plus earnings on the Tax Increment Fund.

“Levy Year” means a period beginning on the first day of November 1 and ending on the last day of the following October.

“Maximum Annual Debt Service” means the largest Adjusted Annual Debt Service that occurs after the date for which the calculation is done.

“Outstanding” refers to all Bonds except those which have been paid, canceled, or defeased, and (for Bonds which must be presented to be paid) those which have matured but have not been presented for payment, but for the payment of which adequate money has been transferred to their paying agent.

“Owner” means the person shown on the register maintained by the Paying Agent as the registered owner of a Bond.

“Parity Exchange Agreement” means an Exchange Agreement which qualifies as Parity Indebtedness in accordance with Section 6.

“Parity Indebtedness” means obligations issued in compliance with Section 6 of this Declaration which are secured by a lien on, and pledge of, the Security which is on a parity with the lien on, and pledge of, the Security which secures the 2010 Series A Bonds.

“Parity Indebtedness Fund” means the fund of that name described in Section 5. The Parity Indebtedness Fund is a part of the “Tax Increment Fund.”

“Paying Agent” means the Paying Agent for the Bonds, which, at the time of enactment of this Declaration, is U.S. Bank National Association or its successor.

“Payment Date” means a date on which Bond principal or interest are due, whether at maturity or prior redemption.

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

“Plan” means the Commission’s Lents Town Center Urban Renewal Plan, that was first approved on August 23, 2000, as that plan has been and may be amended in the future.

“Qualified Consultant” means an independent engineer, an independent auditor, an independent financial advisor, or similar independent professional consultant of recognized standing and having experience and expertise in the area for which such person or firm is retained by the City for purposes of performing activities specified in this Declaration.

“Rating Agency” means Fitch, Moody’s, S&P, or any other nationally recognized financial rating agency which has rated Outstanding Bonds at the request of the City.

“Reciprocal Payment” means scheduled payment to be made to, or for the benefit of, the City under a Exchange Agreement by or on behalf of the Reciprocal Payor, which is either fixed in amount or is determined according to a formula set forth in the Exchange Agreement.

“Reciprocal Payor” means a party to an Exchange Agreement (other than the City) that is obligated to make one or more Reciprocal Payments thereunder, and which is rated in one of the top three rating categories by at least one Rating Agency for its obligations under the Exchange Agreement.

“Record Date” means the date used to determine ownership of Bonds for purposes of making Bond payments. The Record Date for the 2010 Series A Bonds is the last business day of the calendar month immediately preceding each 2010 Series A Bond Payment Date.

“Reserve Account” means the account of that name in the Parity Indebtedness Fund described in Section 5.3 and all subaccounts therein.

“Reserve Credit Event” means the occurrence of any of the following: (a) the withdrawal or suspension of all Reserve Credit Facility Ratings for a Reserve Credit Facility; or (b) the downgrading of all Reserve Credit Facility Ratings for a Reserve Credit Facility below investment grade, or the equivalent rating reasonably determined by the City if rating terminology changes after January, 2009 (As of January, 2010, a rating below investment grade by Moody’s is a rating below Baa3, and a rating below investment grade by S&P is a rating below BBB-); or (c) the City properly tenders a request for funds under a Reserve Credit Facility, and the requested funds are not delivered materially in accordance with the terms of such Reserve Credit Facility.

“Reserve Credit Facility” means a Credit Facility in which provider of the Credit Facility unconditionally agrees to provide the City with funds to be used to pay debt service on Bonds in lieu of making withdrawals from a Reserve Subaccount.

“Reserve Credit Facility Rating” means a long-term debt, financial strength or claims-paying ability rating assigned by a Rating Agency to: (a) a provider of a Reserve Credit Facility or (b) to any reinsurer of the obligations of a provider under a Reserve Credit Facility.

“Reserve Funding Requirement” means a set of rules for funding a subaccount in the Reserve Account. Each Reserve Funding Requirement shall indicate the amount that is required to be credited to the subaccount, the dates by which that amount must be credited to the subaccount, and the requirements for restoring amounts to the subaccount if amounts are withdrawn to pay Bonds that are secured by the subaccount. The Reserve Funding Requirement for the 2010 Series A Bonds is specified in Section 5.4.

“Security” for a particular Series of Bonds means the Lents Town Center Tax Increment Revenues, any federal interest subsidies Bonds, and any additional amounts that are pledged by the City to pay that particular Series of Bonds. For the 2010 Series A Bonds, “Security” means (i) the Lents Town Center Tax Increment Revenues any federal interest subsidies Bonds, which are pledged on a parity with all other Bonds; (ii) all amounts credited to the First Reserve Subaccount, which are pledged solely to the 2010 Series A Bonds and any Parity Indebtedness that the City elects to secure with the First Reserve Subaccount; and, (iii) all amounts available under any 2010 Reserve Credit Facilities, which are pledged solely to the 2010 Series A Bonds, and, to the extent permitted by the terms of the 2010 Reserve Credit Facilities, to any Parity Indebtedness that the City elects to secure with the First Reserve Subaccount.

“Series” or “Series of Bonds” refers to all Bonds which are issued at one time, pursuant to a single resolution, ordinance, declaration or other authorizing document of the City, regardless of variations in maturity, interest rate or other provisions, unless the documents authorizing the Bonds declare them to be part of a separate Series.

“SIFMA Index” means the SIFMA Municipal Swap Index disseminated by the Securities Industry and Financial Markets Association, or its successor. However, if that index ceases to be

available, "SIFMA Index" means an index reasonably selected by the City which is widely available to dealers in municipal securities, and which measures the interest rate of municipal securities that bear interest at short term or variable rates.

"Subordinate Indebtedness" means obligations issued in compliance with Section 7 of this Declaration which are secured by a lien on, and pledge of, the Lents Town Center Tax Increment Revenues which are subordinate to the lien on, and pledge of, the Lents Town Center Tax Increment Revenues which secure the Bonds.

"Subordinate Indebtedness Account" means the account of that name in the Tax Increment Fund established in Section 5.5.

"Supplemental Declaration" means any Declaration amending or supplementing this Declaration, which is adopted in accordance with Section 9.

"Tax Increment Fund" means the fund established under ORS 457.440(6)(b) to hold the Divide the Taxes Revenues, which is currently called the Lents Town Center Debt Service Fund.

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

"Taxable Bonds" means Bonds which pay interest which is intended to be includable in gross income under the Code.

"Tax-Exempt Bonds" means Bonds which pay interest which is intended to be excludable from gross income under the Code.

"Variable Rate Obligations" means any Bonds issued with a variable, adjustable, convertible, or other similar interest rate which changes prior to the final maturity date of the Bonds, and any City Payments or Reciprocal Payments under a Parity Exchange Agreement for which the interest portion of the payment is based on a rate that changes during the term of the Exchange Agreement.

Section 4. Security for Bonds.

4.1. The Bonds shall not be general obligations of the City or the Commission. The City and the Commission shall be obligated to pay the Bonds solely from the Security as provided in this Declaration.

4.2. The City hereby irrevocably pledges the Lents Town Center Tax Increment Revenues to pay the Bonds. The City also irrevocably pledges to pay the 2010 Bonds: (i) all amounts credited to the First Reserve Subaccount; and, (ii) all amounts available under any 2010 Reserve Credit Facilities. Pursuant to ORS 287A.325, these pledges shall be valid and binding from the time of

the adoption of this Declaration. The amounts so pledged and hereafter received by the City shall immediately be subject to the lien of these pledges without any physical delivery or further act, and the lien of these pledges shall be superior to all other claims and liens whatsoever.

4.3. The provisions of this Declaration shall constitute a contract with the Owners, and shall be enforceable by them.

Section 5. The Tax Increment Fund.

The City has previously established the Tax Increment Fund. The Tax Increment Fund shall contain the Parity Indebtedness Fund and the Subordinate Indebtedness Account. The City may create subaccounts in these funds to the extent permitted by this Declaration, but it shall not create additional funds in the Tax Increment Fund. The Parity Indebtedness Fund shall contain the Debt Service Account and the Reserve Account.

5.1. On the date the 2010 Bonds are issued and in each fiscal year thereafter until all Bonds are paid or defeased, the City shall deposit all Divide the Taxes Revenues and Federal Interest Subsidies in the Tax Increment Fund, and shall credit each deposit to the following accounts within the Tax Increment Fund in the following order of priority:

- (A) To the Debt Service Account, until the Debt Service Account contains an amount sufficient to pay the Annual Debt Service for that Levy Year;
- (B) To the Reserve Account, if the balance in any subaccount of the Reserve Account is then less than its Reserve Funding Requirement, until the balances in all subaccounts of the Reserve Account are equal to their Reserve Funding Requirements; and,
- (C) To the Subordinate Indebtedness Account, any amounts which remain after the foregoing deposits have been made.

5.2. Debt Service Account.

- (A) Money in the Debt Service Account shall be used only to pay Bond principal, interest and premium.
- (B) Amounts credited to the Debt Service Account may be invested in Permitted Investments which mature within one year or in the City's investment pool. Earnings shall be credited as provided in Section 5.6.
- (C) Five (5) days before any payment of principal, premium or interest on the Bonds is due, if the balance in the Debt Service Account is less than the amount due, the City shall credit to the Debt Service Account an amount equal to the deficiency from Lents Town Center Tax Increment Revenues in the following accounts in the following order of priority:

- (1) First, from the Subordinate Indebtedness Account; and,

- (2) Second, from any subaccount in the Reserve Account and any available Reserve Credit Facility that secures the Bonds for which the payment is due, but only to the extent required to pay Bonds that are secured by that subaccount or Reserve Credit Facility.
- (D) If, after the credits described in Section 5.2(C), the balance credited to the Debt Service Account is not sufficient to pay the Bond principal, premium or interest that is then due, the amount credited to the Debt Service Account shall be applied to *pro rata* to pay the amounts that are then due.

5.3. Reserve Account.

- (A) The City shall create a Reserve Account in the Parity Indebtedness Fund, and may create subaccounts in the Reserve Account to secure Bonds. When each subaccount is created, the City shall determine whether the subaccount will secure one or more Series of Bonds. If the City creates a subaccount in the Reserve Account, the City shall, before it issues the first Series of Bonds that is secured by that subaccount, establish the Reserve Funding Requirement for that subaccount and pledge amounts credited to that subaccount to pay the Bonds that are secured by that subaccount.
- (B) The City shall not create any subaccounts in the Reserve Account for any purpose except securing Bonds in accordance with this Declaration.

5.4. The First Reserve Subaccount and the First Reserve Subaccount Funding Requirement.

- (A) The First Reserve Subaccount is hereby created in the Reserve Account. The First Reserve Subaccount shall secure the 2010 Bonds and any Parity Indebtedness the City subsequently elects to secure with the First Reserve Subaccount. Except as specifically provided in this Section 5.4 amounts credited to the First Reserve Subaccount shall be used only to pay principal, interest and premium on the 2010 Bonds and any other Bonds that are secured by the First Reserve Subaccount, and only if amounts in the Debt Service Account are not sufficient to make those payments. The City hereby irrevocably pledges the amounts that are credited to the First Reserve Subaccount to pay the 2010 Bonds. Pursuant to ORS 287A.325, this pledge shall be valid and binding from the Closing date of the 2010 Bonds. The amounts so pledged and hereafter received by the City shall immediately be subject to the lien of this pledge without any physical delivery or further act, and the lien of this pledge shall be superior to all other claims and liens whatsoever.
- (B) At Closing of the 2010 Bonds the City shall deposit into the First Reserve Subaccount an amount equal to the First Reserve Subaccount Funding Requirement. The deposit may be made from amounts available in the Subordinate Indebtedness Account, from 2010 Bond proceeds, or other amounts available to the City, or may be in the form of one or more 2010 Reserve Credit Facilities.
- (C) The City covenants to maintain a balance in the First Reserve Subaccount that is at least equal to the First Reserve Subaccount Funding Requirement, but solely from deposits of

Lents Town Center Tax Increment Revenues pursuant to Section 5.1(B) and a Closing deposit pursuant to Section 5.4(B). The balance in the First Reserve Subaccount shall be equal to the sum of the following amounts, calculated as of the most recent First Reserve Subaccount Valuation Date: the cash credited to the First Reserve Subaccount; plus the value of Permitted Investments and Reserve Credit Facilities in the First Reserve Subaccount.

- (D) If the balance in the First Reserve Subaccount on a First Reserve Subaccount Valuation Date is less than the First Reserve Subaccount Funding Requirement, the City shall begin making transfers of Lents Town Center Tax Increment Revenues to the First Reserve Subaccount in accordance with Section 5.1(B).
- (1) Transfers to the First Reserve Subaccount shall be applied first, to reimburse the providers of any 2010 Reserve Credit Facilities *pro rata* for amounts advanced under those 2010 Reserve Credit Facilities; second, to replenish the balance in the First Reserve Subaccount with cash or Permitted Investments; and third to pay any other amounts owed under a 2010 Reserve Credit Facility (including any interest, fees and penalties associated with any draw under that 2010 Reserve Credit Facility).
 - (2) Transfers under Section 5.1(B) shall commence immediately following each First Reserve Subaccount Valuation Date on which the balance in the First Reserve Subaccount is less than the First Reserve Subaccount Funding Requirement, and shall continue until the balance in the First Reserve Subaccount is equal to the First Reserve Subaccount Funding Requirement.
- (E) If the balance in the First Reserve Subaccount on a First Reserve Subaccount Valuation Date is greater than the First Reserve Subaccount Funding Requirement the City may transfer the excess to the Debt Service Account or the Subordinate Indebtedness Fund.
- (F) Moneys in the First Reserve Subaccount may be invested only in Permitted Investments that mature no later than the final maturity date of the Bonds that are secured by the First Reserve Subaccount, or in the City's investment pool. Earnings shall be credited as provided in Section 5.6.
- (G) Permitted Investments in the First Reserve Subaccount shall be valued on each First Reserve Subaccount Valuation Date in the following manner:
- (1) Demand deposits, deposits in the City's investment pool and the Oregon Short Term Fund and other investments which mature in two years or less after the First Reserve Subaccount Valuation Date shall be valued at their face amount, plus accrued interest;
 - (2) Investments which mature more than two years after the First Reserve Subaccount Valuation Date and for which bid and asked prices are published on a regular basis in the Wall Street Journal (or, if not there, then in the New

York Times) shall be valued at the average of their most recently published bid and asked prices;

- (3) Investments which mature more than two years after the First Reserve Subaccount Valuation Date and for which the bid and asked prices are not published on a regular basis in the Wall Street Journal or the New York Times shall be valued at the average bid price quoted by any two nationally recognized government securities dealers (selected by the City in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;
 - (4) Certificates of deposit and bankers acceptances which mature more than two years after the First Reserve Subaccount Valuation Date shall be valued at their face amount, plus accrued interest; and
 - (5) Any investment which is not specified above and which matures more than two years after the First Reserve Subaccount Valuation Date shall be valued at its fair market value as reasonably estimated by the City.
- (H) Each Reserve Credit Facility credited to the First Reserve Subaccount shall be valued on each First Reserve Subaccount Valuation Date as provided in this subsection. A Reserve Credit Facility shall be valued at the amount available to be drawn under it as long as no Reserve Credit Event has occurred and is continuing for that Reserve Credit Facility. If a Reserve Credit Event has occurred and is continuing for a Reserve Credit Facility, the Reserve Credit Facility shall have no value.
- (I) Withdrawals from the First Reserve Subaccount shall be made in the following order of priority:
- (1) *First*, from any cash on deposit in the First Reserve Subaccount;
 - (2) *Second*, from the liquidation proceeds of any Permitted Investments on deposit in such First Reserve Subaccount; and
 - (3) *Third*, from moneys drawn or paid pro-rata under any 2010 Reserve Credit Facilities.
- (J) All amounts on deposit in the First Reserve Subaccount 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 City is required to transfer into the Debt Service Account under Section 5.1(A).
- (K) Amounts in the First Reserve Subaccount may be transferred into escrow to defease 2010 Bonds, but only if the balance remaining in the First Reserve Subaccount after the transfer is at least equal to the First Reserve Subaccount Funding Requirement for the 2010 Bonds which remain Outstanding after the defeasance.

5.5. Subordinate Indebtedness Account. Lents Town Center Tax Increment Revenues in the Subordinate Indebtedness Account may be used at any time for any legal purpose permitted under Chapter 457 of the Oregon Revised Statutes. However, if the balance in any subaccount of the Reserve Account is less than the amount specified in the Reserve Funding Requirement for that Subaccount, Lents Town Center Tax Increment Revenues credited to the Subordinate Indebtedness Account shall be used to eliminate that deficiency before money in the Subordinate Indebtedness Account is used for any other purpose.

5.6. Earnings. Except as provided below in this Section 5.6, earnings on all funds and accounts in the Tax Increment Fund shall be credited to the Subordinate Indebtedness Account. While the balance in any subaccount in the Reserve Account is less than the amount specified for that subaccount in the applicable Reserve Funding Requirement, earnings on all accounts in the Tax Increment Fund shall be credited to the deficient subaccounts in the Reserve Account, *pro rata* based on the amounts of the deficiencies. If a Reserve Subaccount is funded with Bond proceeds, and the balance in that Reserve Subaccount is equal to its Reserve Funding Requirement, earnings on that Reserve Subaccount shall be credited to the Debt Service Account at the beginning of each Levy Year.

Section 6. Parity Indebtedness.

6.1. Except as provided in Section 6.2, the City may issue Parity Indebtedness only if all of the following conditions are met:

- (A) As of the date of Closing of the Parity Indebtedness, no Event of Default under this Declaration has occurred and is continuing.
- (B) On or before the date of Closing of the Parity Indebtedness the City provides either:
 - (1) a certificate of the Debt Manager stating that the Lents Town Center Tax Increment Revenues for the Base Period at least equaled _____ percent (___%) of the Maximum Annual Debt Service on all then Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding; or,
 - (2) both of the following:
 - (I) a certificate or opinion of a Qualified Consultant:
 - (a) stating the projected amount of the Lents Town Center Tax Increment Revenues for the Fiscal Year in which the proposed Parity Indebtedness is issued and the projected amount of the Lents Town Center Tax Increment Revenues for each of the four Fiscal Years after the Fiscal Year in which the proposed Parity Indebtedness are issued; and,
 - (b) concluding that the respective amounts of projected Lents Town Center Tax Increment Revenues in each of the Fiscal Years described in Section 6.1(B)(2)(I)(a) are at least equal to _____

percent (___%) of the Adjusted Annual Debt Service for each of those respective Fiscal Years on all Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding; and,

- (c) stating the projected amount of the Lents Town Center Tax Increment Revenues for the fifth Fiscal Year after the Fiscal Year in which the Parity Indebtedness are issued; and,
 - (d) concluding that this amount described in Section 6.1(B)(2)(I)(c) is at least equal to _____ percent (___%) of the Maximum Annual Debt Service on all Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding; and,
- (II) a certificate of the Debt Manager stating that the Lents Town Center Tax Increment Revenues for the Base Period at least equaled one hundred percent (100.00%) of the Maximum Annual Debt Service on all then Outstanding Bonds, with the proposed Parity Indebtedness treated as Outstanding.

6.2. The City may issue Parity Indebtedness to refund Outstanding Bonds without complying with Section 6.1 if:

- (A) the refunded Bonds are defeased on the date of delivery of the refunding Parity Indebtedness; and,
- (B) the Annual Debt Service on the refunding Parity Indebtedness does not exceed the Annual Debt Service on the refunded Bonds in any Fiscal Year by more than \$5,000.
- (C) In addition to allowing refunding of Parity Indebtedness which is not a Balloon Payment, this Section 6.2 is intended to allow Balloon Payments to be refunded with Parity Indebtedness when the Annual Debt Service on the refunding Parity Indebtedness does not exceed the Balloon Debt Service Requirement for the refunded Balloon Payment in any Fiscal Year by more than \$5,000.

6.3. An Exchange Agreement may be a Parity Exchange Agreement and Parity Indebtedness if the obligation to make City Payments under the Exchange Agreement qualifies as Parity Indebtedness under Section 6, after the Reciprocal Payments under the Exchange Agreement are applied to adjust Annual Debt Service. Any Parity Exchange Agreement shall clearly state that it is a Parity Exchange Agreement and has qualified as Parity Indebtedness under Section 6 of this Declaration. In addition, the City may replace a Parity Exchange Agreement with another Parity Exchange Agreement without qualifying the replacement Exchange Agreement under Section 6 if the replacement does not increase the Annual Debt Service in any Fiscal Year by more than \$5,000.

6.4. All Parity Indebtedness issued in accordance with this Section 6 shall have a lien on the Lents Town Center Tax Increment Revenues which is equal to the lien of all other Outstanding Bonds.

6.5. The Estimated Average Interest Rate for Variable Rate Obligations shall be calculated as provided in this Section.

- (A) For purposes of calculating Annual Debt Service for determining compliance with Section 8.10: the Estimated Average Interest Rate for Tax-Exempt Bonds means the average SIFMA Index for the 52 week period that ends on or immediately before the end of the month preceding the month in which the calculation is made, expressed as an annualized interest rate, plus fifty basis points (0.50%); and the Estimated Average Interest Rate for Taxable Bonds means the average One Month LIBOR Rate for the 52 week period that ends on or immediately before the end of the month preceding the month in which the calculation is made, expressed as an annualized interest rate, plus fifty basis points (0.50%). For purposes of this section "One Month LIBOR Rate" means the British Banker's Association average of interbank offered rates in the London market for United States Dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the City.
- (1) Unless Section 6.5(A)(2) applies, for purposes of calculating Annual Debt Service for the tests for issuing Parity Indebtedness under Section 6, the Estimated Average Interest Rate for any Series of Variable Rate Obligations: (i) that are Tax-Exempt Bonds means the average of the weekly Bond Buyer 20 Bond Index for the 52 week period that ends on or immediately before the last day of the month that precedes the month in which the Parity Indebtedness is sold, expressed as an annualized interest rate; and (ii) that are Taxable Bonds means the average rate on United States Treasury bonds maturing in ten years, as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the City, for the 52 week period that ends on or immediately before the last day of the month that precedes the month in which the Parity Indebtedness is sold, expressed as an annualized interest rate, plus two percent (2.00%).
 - (2) For any Series of Variable Rate Obligations that have been outstanding for at least 52 weeks at the end of the period described in Section 6.5(A)(1), if the actual, annualized rate on that Series during that 52 week period is greater than the average, annualized rate described in Section 6.5(A)(1), the Estimated Average Interest Rate for that Series means the average of the actual rates on that Series during that 52 week period, expressed as an annualized interest rate.
- (B) To determine the amount that is required to be maintained in the First Reserve Subaccount, the Estimated Average Interest Rate for a Series of Parity Indebtedness that is secured by the First Reserve Subaccount and consists of Tax-Exempt Bonds shall be the average of the weekly Bond Buyer 20 Bond Index for the 52 week period that ends on or immediately before the last day of the month that precedes the month in which the Parity Indebtedness is sold, expressed as an annualized interest rate. To determine the amount that is required to be maintained in the First Reserve Subaccount, the Estimated Average Interest Rate for a Series of Parity Indebtedness that is secured by the First

Reserve Subaccount and consists of Taxable Bonds shall be the average rate on United States Treasury bonds maturing in ten years, as reported in the Wall Street Journal (or if not reported in such newspaper, as reported in such other source as may be selected by the City) for the 52 week period that ends on or immediately before the last day of the month that precedes the month in which the Parity Indebtedness is sold, expressed as an annualized interest rate, plus two percent (2.00%). This calculation of Estimated Average Interest Rate shall be used for that Series of Parity Indebtedness Obligations as long as that Series of Parity Indebtedness Obligations is Outstanding. This rule shall be used to calculate the amount that is required to be maintained in other subaccounts of the Reserve Account unless otherwise provided in subsequent Supplemental Declarations.

6.6. The Estimated Debt Service Requirement for Balloon Payments shall be calculated in accordance with this Section 6.6.

- (A) Whenever a Balloon Payment will be Outstanding on the date a Series of Parity Indebtedness is issued, the Debt Manager shall prepare a schedule of principal and interest payments for a hypothetical Series of Parity Indebtedness that refunds each Outstanding Balloon Payment in accordance with this Section 6.6. The Debt Manager shall prepare that schedule as of the date the Parity Indebtedness is sold, and that schedule shall be used to determine compliance with the tests for Parity Indebtedness in Section 6.
- (B) Each hypothetical Series of refunding Parity Indebtedness shall be assumed to be paid in equal annual installments of principal and interest sufficient to amortize the principal amount of the Balloon Payment over the term selected by the Debt Manager; however, the Debt Manager shall not select a term that exceeds the lesser of 20 years from the date on which the Series of Parity Indebtedness containing the Balloon Payment is issued or the City's estimate of the remaining weighted average useful life (expressed in years and rounded to the next highest integer) of the assets which are financed with the Balloon Payment. The annual installments shall be assumed to be due on the first day of each Fiscal Year, with the first installment due at least six months after the date on which the Estimated Debt Service Requirement is calculated.
- (C) The hypothetical Series of refunding Parity Indebtedness shall be assumed to bear interest at the Debt Manager's estimate of the average rate that a Series of Parity Indebtedness would bear if it is amortized as provided in Section 6.6(B) and is sold at the time the schedule described in Section 6.6(A) is prepared.

Section 7. Subordinate Indebtedness.

The City may issue Subordinate Indebtedness only if the Subordinate Indebtedness complies with the requirements of this Section 7. Subordinate Indebtedness shall not be payable from any account of the Tax Increment Fund except the Subordinate Indebtedness Account or a subaccount of the Subordinate Indebtedness Account. All Subordinate Indebtedness must state clearly that:

7.1. It is secured by a lien on or pledge of the Lents Town Center Tax Increment Revenues which is subordinate to the lien on, and pledge of, the Lents Town Center Tax Increment Revenues for the Bonds; and,

7.2. It is not payable from any account of the Tax Increment Fund except the Subordinate Indebtedness Account or a subaccount of the Subordinate Indebtedness Account.

Section 8. General Covenants.

The City hereby covenants and agrees with the Owners of all Outstanding Bonds as follows:

8.1. The City shall promptly cause the principal, premium, if any, and interest on each Series of Bonds to be paid as they become due in accordance with the provisions of this Declaration and any Supplemental Declaration, but solely from the Security.

8.2. The City shall maintain complete books and records relating to the Tax Increment Fund, the Lents Town Center Tax Increment Revenues and the Bonds in accordance with generally accepted accounting principles, and will cause such books and records to be audited annually at the end of each Fiscal Year as required by law, and will make the audits available for inspection by the Owners.

8.3. The City shall issue obligations which have a lien or claim on the Security which is on a parity with the lien and claim of the Owners only as provided in Section 6.

8.4. The City shall refinance or otherwise provide for the payment of any Balloon Payments not later than the date on which the Balloon Payments are actually due.

8.5. Before the City or the Commission reduces the Area the Debt Manager shall project the Lents Town Center Tax Increment Revenues which will be available from the Area after it is reduced. Neither the City nor the Commission shall reduce the Area unless the Debt Manager reasonably projects that the Area, after the reduction, will have Lents Town Center Tax Increment Revenues which are at least equal to one hundred thirty percent (130.00%) of the Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series).

8.6. Before the City or the Commission increases the Maximum Indebtedness for the Area the Debt Manager shall project the Lents Town Center Tax Increment Revenues which will be available from the Area after the Maximum Indebtedness is increased. Neither the City nor the Commission shall increase the Maximum Indebtedness unless the Debt Manager reasonably projects that increasing the Maximum Indebtedness will not cause Lents Town Center Tax Increment Revenues to fall below one hundred thirty percent (130.00%) of the Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series).

8.7. The City and the Commission may approve, grant or provide property tax exemptions, or programs that provide property tax exemptions, that affect property in the Area without limitation, but only if the programs providing those exemptions:

- (A) Are in effect on the date of this Declaration;
- (B) Replace or renew programs that are in effect on the date of this Declaration; or,
- (C) Only grant exemptions to promote affordable housing, or for the value of newly constructed or rehabilitated property.

8.8. Except as provided in Section 8.7, neither the City nor the Commission shall approve, grant or provide any property tax exemption program that affects property in the Area unless, before the program is approved, granted or provided, the Debt Manager reasonably projects that the Lents Town Center Tax Increment Revenues that will be available from the Area after the program is in effect will at least be equal to one hundred thirty percent (130.00%) of the Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series).

8.9. Except as provided in Section 8.7, neither the City nor the Commission shall approve, grant or provide any property tax exemption that is not provided under a property tax exemption program that was approved in compliance with Section 8.8, unless before the exemption is approved, granted or provided, the Debt Manager reasonably projects that the Lents Town Center Tax Increment Revenues that will be available from the Area after the exemption is in effect will at least be equal to one hundred thirty percent (130.00%) of the Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series).

8.10. The City and the Commission covenant that they shall, to the extent permitted by law, each Fiscal Year, notify the assessors to collect an amount of Divide the Taxes Revenues which results in the City receiving Lents Town Center Tax Increment Revenues for that Fiscal Year which are at least equal to one hundred ten percent (110.00%) of the Bond principal, interest and premium that is scheduled to be paid in that Fiscal Year.

Section 9. Amendment of Declaration.

9.1. The City may enact a Supplemental Declaration to amend this Declaration without the consent of any Owner for any one or more of the following purposes:

- (A) To cure any ambiguity or formal defect or omission in this Declaration;
- (B) To add to the covenants and agreements of the City in this Declaration other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Declaration as theretofore in effect;
- (C) To confirm, as further assurance, any security interest or pledge created under this Declaration or any Supplemental Declaration;
- (D) To issue Parity Indebtedness or Subordinate Indebtedness;

- (E) To authorize Parity Exchange Agreements, and specify the rights and duties of the parties to a Parity Exchange Agreement; or,
- (F) To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners of Bonds.

9.2. The City may amend this Declaration for any other purpose, but only if the City obtains the consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected Bonds then Outstanding in accordance with Section 11. However, no amendment shall be valid which:

- (A) Extends the maturity of any Bonds, reduces the rate of interest on any Bonds, extends the time of payment of interest on any Bonds, reduces the amount of principal payable on any Bonds, or reduces any premium payable on any Bonds, without the consent of all affected Owners; or
- (B) Reduces the percent of Owners required to approve Supplemental Declarations.

Section 10. Default and Remedies.

10.1. The occurrence of one or more of the following shall constitute an Event of Default under this Declaration:

- (A) Failure by the City to pay Bond principal, interest or premium when due (whether at maturity, or upon redemption after a Bond has been properly called for redemption) as required by this Declaration;
- (B) Failure by the City to observe and perform any covenant, condition or agreement which this Declaration requires the City to observe or perform for the benefit of Owners of Bonds, which failure continues for a period of 60 days after written notice to the City by the Owners of ten percent or more of the principal amount of Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 60 day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this paragraph (B); or,
- (C) The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for Lents Town Center Tax Increment Revenues.

10.2. The Owners of ten percent or more of the principal amount of Bonds then Outstanding may waive any Event of Default and its consequences, except an Event of Default described in Section 10.1(A)

10.3. Upon the occurrence and continuance of any Event of Default hereunder the Owners of ten percent or more of the principal amount of affected Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Declaration or in aid of the exercise of any power granted in this Declaration or for the enforcement of any other legal or equitable right vested in the Owners of Bonds by this Declaration or by law. However, the Bonds shall not be subject to acceleration; and, neither the City nor the Commission shall be required to pay any amounts to Owners (other than the Security) because of an Event of Default described in Section 10.1(A) which occurs because of an insufficiency of the Security.

10.4. No remedy in this Declaration conferred upon or reserved to Owners of Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Declaration or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners of Bonds to exercise any remedy reserved to them, it shall not be necessary to give any notice other than such notice as may be required by this Declaration or by law.

Section 11. Ownership of Bonds.

11.1. For purposes of determining the percentage of Owners consenting to, waiving or otherwise acting with respect to any matter that may arise under this Declaration:

- (A) the initial purchaser of a Series of Bonds may be treated as the Owner of that Series at the time that Series is delivered in exchange for payment; and,
- (B) the issuer of a Credit Facility which insures payment of all principal and interest due on one or more Bonds may be treated as the Owner of all Bonds secured by that Credit Facility.

11.2. For purposes of determining the percentage of Owners taking action under this Declaration, the Owners of Bonds which pay interest only at maturity, and mature more than one year after they are issued shall be treated as Owners of Bonds in an aggregate principal amount equal to the accreted value of such Bonds as of the date the Paying Agent sends out notice of requesting consent, waiver or other action as provided herein.

Section 12. Defeasance.

The City shall be obligated to pay any Bonds which are defeased in accordance with this Section 12 solely from the money and Defeasance Obligations which are deposited in escrow pursuant to this Section 12. Bonds shall be deemed defeased if the City:

12.1. irrevocably deposits money or noncallable Defeasance Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient without reinvestment for the payment of Bonds which are to be defeased; and,

12.2. files with the escrow agent or trustee an opinion from a Qualified Consultant to the effect that the money and the principal and interest to be received from the Defeasance Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Bonds when due.

Section 13. Rules of Construction.

In determining the meaning of provisions of this Declaration, the following rules shall apply unless the context clearly requires application of a different meaning:

13.1. References to section numbers shall be construed as references to sections of this Declaration.

13.2. References to one gender shall include all genders.

13.3. References to the singular include the plural, and references to the plural include the singular.

Section 14. The 2010 Bonds.

14.1. The 2010 Series A Bonds

(A) The 2010 Series A Bonds shall be dated _____, 2010, shall bear interest which is payable on June 15 and December 15 of each year, commencing ____, 2010, and shall mature on the following dates in the following principal amounts:

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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(B) [insert any redemption provisions at pricing].

(C) The 2010 Series A Bonds shall be Taxable Bonds.

14.2. The 2010 Series B Bonds

(A) The 2010 Series B Bonds shall be dated _____, 2010, shall bear interest which is payable on June 15 and December 15 of each year, commencing ____, 2010, and shall mature on the following dates in the following principal amounts:

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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- (B) [insert any redemption provisions at pricing]
- (C) The 2010 Series B Bonds shall be Tax-Exempt Bonds, and the City covenants not to take any action, or omit to take any action, if the taking or omitting would cause interest on the 2010 Series A Bonds to become includable in gross income under the Code.

14.3. The 2010 Series C Bonds

- (A) The 2010 Series C Bonds shall be dated _____, 2010, shall bear interest which is payable on June 15 and December 15 of each year, commencing ____, 2010, and shall mature on the following dates in the following principal amounts:

<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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- (B) [insert any redemption provisions at pricing]

14.4. The 2010 Series C Bonds shall be Taxable Build America Bonds, and the City covenants to act in good faith to obtain the interest subsidies available from the United States for Build America Bonds, and not to take any action, or omit to take any action, if the taking or omitting would cause the 2010 Series C Bonds to cease to be eligible for the interest subsidies that are available for Build America Bonds.

14.5. The 2010 Bonds shall be in substantially the form attached hereto as Appendix A, with such changes as may be approved by the Debt Manager. The 2010 Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.

14.6. The 2010 Bonds shall be initially issued in BEO form and shall be governed by this Section 14.6. While 2010 Bonds are in BEO form no physical 2010 Bonds shall be provided to Owners of 2010 Bonds. The Debt Manager has executed and delivered a blanket Letter of Representations to DTC. While the 2010 Bonds are in BEO form, registration and transfer of beneficial interests in the 2010 Bonds shall be governed by that letter and the Operational Arrangements of DTC, as they may be amended from time to time, as provided in the blanket Letter of Representations. So long as 2010 Bonds are in BEO form:

- (A) DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to Owners of 2010 Bonds. 2010 Bond payments shall be made, and notices shall be given, to DTC in accordance with the blanket Letter of Representations. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of 2010 Bonds called for redemption or of any other action premised on such notice.
- (B) The City may discontinue maintaining the 2010 Bonds in the BEO form at any time. The City shall discontinue maintaining the 2010 Bonds in BEO form if DTC determines not to continue to act as securities depository for the 2010 Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.
- (C) If the City discontinues maintaining the 2010 Bonds in BEO form, the City shall cause the Paying Agent to authenticate and deliver replacement 2010 Bonds in fully registered form in denominations of \$5,000 or integral multiples, registered in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 14.8 below, regarding registration, transfer and exchange of 2010 Bonds shall apply.
- (D) The City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:
- (1) the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the 2010 Bonds;
 - (2) the delivery to any participant or correspondent or any other person of any notice with respect to the 2010 Bonds, including any notice of prepayment;
 - (3) the selection by DTC of the beneficial interest in 2010 Bonds to be redeemed prior to maturity; or
 - (4) the payment to any participant, correspondent, or any other person other than the registered owner of the 2010 Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal, any premium or interest on the 2010 Bonds.
- (E) The City shall pay or cause to be paid all principal, premium and interest on the 2010 Bonds only to or upon the order of the owner, as shown in the registration books maintained by the Paying Agent, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligation with respect to payment thereof to the extent of the sum or sums so paid.

- (F) The provisions of this Section 14.6 may be modified without the consent of the beneficial owners in order to conform this Section to the standard practices of DTC or any successor depository for 2010 Bonds issued in BEO form.

14.7. Redemption of 2010 Bonds:

- (A) The City reserves the right to purchase 2010 Bonds in the open market.
- (B) If any 2010 Bonds are subject to mandatory redemption, the City may credit against the mandatory redemption requirement any 2010 Bonds of the same maturity which the City has previously purchased or which the City has previously redeemed pursuant to any optional redemption provision.
- (C) So long as 2010 Bonds are in BEO form, the Paying Agent shall give DTC notice of any early redemption as required by DTC. However, the City shall not be obligated to give more than 30 days prior notice. The notice of redemption shall provide the information that is required by the Letter of Representation for the 2010 Bonds.
- (D) During any period in which the 2010 Bonds are not in BEO form, unless waived by any Owner of the 2010 Bonds to be redeemed, official notice of any redemption of 2010 Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first class mail postage prepaid at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the 2010 Bond or Bonds to be redeemed at the address shown on the 2010 Bond register or at such other address as is furnished in writing by such Owner to the Paying Agent. The City shall notify the Paying Agent of any intended redemption not less than 45 days prior to the redemption date. All such official notices of redemption shall be dated and shall state:
- (1) the redemption date,
 - (2) the redemption price,
 - (3) if less than all Outstanding 2010 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the 2010 Bonds to be redeemed,
 - (4) that on the redemption date the redemption price will become due and payable upon each such 2010 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
 - (5) the place where such 2010 Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent.
- (E) Any notice of optional redemption given for the 2010 Bonds pursuant to Section 14.7 may state that the optional redemption is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such 2010 Bonds or upon the

satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Paying Agent to affected owners of the 2010 Bonds as promptly as practicable.

14.8. Authentication, Registration and Transfer.

- (A) No 2010 Bond shall be entitled to any right or benefit under this Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all 2010 Bonds to be delivered at Closing of the 2010 Bonds, and shall additionally authenticate all 2010 Bonds properly surrendered for exchange or transfer pursuant to this Declaration.
- (B) The ownership of all 2010 Bonds shall be entered in the 2010 Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the 2010 Bond register as the owner of the 2010 Bond for all purposes.
- (C) While the 2010 Bonds are in BEO form, the Paying Agent shall transfer 2010 Bond principal and interest payments in the manner required by DTC.
- (D) If the 2010 Bonds cease to be in BEO form, the Paying Agent shall mail each interest payment on the interest Payment Date (or the next Business Day if the Payment Date is not a Business Day) to the name and address of the Owners as they appear on the 2010 Bond register as of the Record Date for the 2010 Bonds. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.
- (E) 2010 Bonds may be exchanged for an equal principal amount of 2010 Bonds of the same maturity which are in different denominations, and 2010 Bonds may be transferred to other Owners if the Owner submits the following to the Paying Agent:
 - (1) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent, and
 - (2) the 2010 Bonds to be exchanged or transferred.
- (F) The Paying Agent shall not be required to exchange or transfer any 2010 Bonds submitted to it during any period beginning with a Record Date and ending on the next following Payment Date; however, such 2010 Bonds shall be exchanged or transferred promptly following that Payment Date.
- (G) The Paying Agent shall note the date of authentication on each 2010 Bond. The date of authentication shall be the date on which the Owner's name is listed on the 2010 Bond register.

- (H) For purposes of this Section 14.8, 2010 Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 14.8(E), above.
- (I) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

Section 15. Provisions Related to 2010 Bond Insurance Policy.

[add if 2010 bonds are insured]

Section 16. Provisions Related to First Reserve Subaccount Policy.

16.1. [add if there is a Reserve Credit Facility for the 2010 Bonds]

Dated as of this ___ day of March, 2010.

City of Portland, Oregon

By: _____

Eric H. Johansen, Debt Manager

Appendix A

Form of 2010 Bond

No. R-«BondNumber»

\$«PrincipalAmtNumber»

United States of America
State of Oregon
Counties of Multnomah, Washington and Clackamas
City of Portland
Lents Town Center Urban Renewal and Redevelopment Bonds
2010 Series A/B/C

Dated Date: ____, 2010**Interest Rate Per Annum:** «CouponRate»%**Maturity Date:** June 15, «MaturityYear»**CUSIP Number:** «CUSIPNumbr»**Registered Owner:** -----Cede & Co.-----**Principal Amount:** -----«PrincipalAmtSpelled» Dollars-----

The City of Portland, Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, but solely from the sources named below, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the 15th day of June and the 15th day of December in each year until maturity or prior redemption, commencing _____. Payment of each installment of principal or interest shall be made to the Registered Owner hereof whose name appears on the registration books of the City maintained by the City's paying agent and registrar, which is currently U.S. Bank National Association, in Portland, Oregon (the "Paying Agent"), as of the close of business on the last day of the calendar month immediately preceding the applicable interest payment date. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be paid on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York, and Cede & Co. is the nominee of The Depository Trust Company. Such payments shall be made payable to the order of "Cede & Co."

This Bond is one of a duly authorized series of bonds of the City aggregating \$_____ in principal amount designated as Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A/B/C (the "Bonds"). The Bonds are issued for the purpose of financing and refinancing urban renewal projects within the Lents Town Center Urban Renewal Area. The Bonds are authorized by City Ordinance No. ____ (the "Ordinance"), Oregon Revised Statutes Chapter 457 and a Bond Declaration (the "Declaration") executed by the City's Debt Manager pursuant to the Ordinance. The provisions of the Ordinance and the Declaration are hereby incorporated into this Bond by reference. The Bonds are issued in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City.

The Bonds constitute valid and legally binding special obligations of the City which are payable solely from the Lents Town Center Tax Increment Revenues of the Lents Town Center Urban Renewal Area and the other amounts constituting the Security, as defined and provided in the Declaration.

THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE CITY WHICH IS SECURED SOLELY BY AND PAYABLE SOLELY FROM THE LENTS TOWN CENTER TAX INCREMENT REVENUES AND OTHER AMOUNTS CONSTITUTING THE "SECURITY" AS DEFINED AND PROVIDED IN THE DECLARATION. THIS BOND IS NOT A GENERAL OBLIGATION OF THE CITY OR THE COMMISSION, AND IS NOT SECURED BY OR PAYABLE FROM ANY FUNDS OR REVENUES OF THE CITY OR THE COMMISSION EXCEPT THE SECURITY.

The Bonds are initially issued in book-entry-only form with no certificates provided to the beneficial owners of the Bonds. Records of ownership of beneficial interests in the Bonds will be maintained by The Depository Trust Company and its participants.

Should the book-entry only security system be discontinued, the Bonds shall be issued in the form of registered Bonds without coupons in the denominations of \$5,000 or any integral multiple thereof. Such Bonds may be exchanged for Bonds of the same aggregate principal amount and maturity date, but different authorized denominations, as provided in the Declaration.

The Bonds shall mature and be subject to redemption as described in the final Official Statement for the Bonds which is dated _____, 2010.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Blanket Issuer Letter of Representations to The Depository Trust Company, as referenced in the Declaration. Interest on any Bond or Bonds so called for redemption shall cease on the redemption date designated in the notice. The Paying Agent will notify The Depository Trust Company promptly of any Bonds called for redemption. If the book-entry-only system is discontinued, notice of redemption shall be given by first-class mail, postage prepaid, not less than thirty days nor more than sixty days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the Bond register; however, any failure to give notice shall not invalidate the redemption of the Bonds.

Any exchange or transfer of this Bond must be registered, as provided in the Declaration, upon the Bond register kept for that purpose by the Paying Agent. The exchange or transfer of this Bond may be registered only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Paying Agent and which is executed by the registered owner or duly authorized attorney. Upon registration, a new registered Bond or Bonds, of the same maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Declaration. The City and the Paying Agent may treat the person in whose name this Bond is registered on the Bond register as its absolute owner for all purposes, as provided in the Declaration.

This Bond shall remain in the Paying Agent's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Paying Agent and The Depository Trust Company.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this Bond 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 Bond is a part, and all other obligations of the City, are within every debt limitation and other limit prescribed by such Constitution and Statutes and City Charter.

IN WITNESS WHEREOF, the Council of the City of Portland, Oregon, has caused this Bond to be signed by facsimile signature of its Mayor and countersigned by facsimile signature of its Auditor, and has caused a facsimile of the corporate seal of the City to be imprinted hereon, all as of the date first above written.



City of Portland, Oregon

Vera Katz, Mayor

Gary Blackmer, Auditor

STATEMENT OF INSURANCE [add if Bonds are insured]

THIS BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE PAYING AGENT IN THE SPACE INDICATED BELOW.

CERTIFICATE OF AUTHENTICATION

This Bond is one of a series of \$___ aggregate principal amount of City of Portland, Lents Town Center Urban Renewal and Redevelopment Bonds, 2010 Series A/B/C issued pursuant to the Declaration described herein.

Date of Authentication: ____, 2010.

U.S. Bank National Association, as Paying Agent

Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

(Please insert social security or other identifying number of assignee)

this Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer this Bond on the books kept for registration thereof with the full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company
Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

- TEN COM -- tenants in common
- TEN ENT -- as tenants by the entireties
- JT TEN -- as joint tenants with right of survivorship and not as tenants in common
- OREGON CUSTODIANS use the following
 _____ CUST UL OREG _____ MIN
 as custodian for (name of minor)
- OR UNIF TRANS MIN ACT
 under the Oregon Uniform Transfer to Minors Act

Additional abbreviations may also be used though not in the list above.

Appendix B

Additional Defeasance Obligations

The following noncallable debt obligations qualify as Defeasance Obligations:

- Senior, unsubordinated Federal Home Loan Mortgage Corp. (FHLMC) Debt Obligations.
- Senior, unsubordinated Federal Home Loan Banks (FHL Banks) Consolidated debt obligations.
- Senior, unsubordinated Federal National Mortgage Association (FNMA) Debt obligations.
- Senior, unsubordinated Farm Credit System consolidated system wide bonds and notes.
- Senior, unsubordinated Resolution Funding Corp. (REFCORP) debt obligations, including strips by the Federal Reserve Bank of New York.
- Financing Corp. (FICO) debt obligations.
- Senior, unsubordinated U.S. Agency for International Development (U.S. A.I.D.) guaranteed notes which mature at least four business days before the appropriate payment date.
- The obligations of any other agency of the United States, or any corporation sponsored by the United States, if those obligations are approved in advance and in writing by the by the issuers of all municipal bond insurance policies that guarantee payment of the defeased Bonds and were issued at the request of the City.