

183710

[EXHIBIT A TO ORDINANCE]

MASTER BOND DECLARATION

(North Macadam Urban Renewal Area)

City of Portland, Oregon

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

As of the __ day of _____, 2010

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MASTER BOND DECLARATION

1.1. THIS MASTER BOND DECLARATION (NORTH MACADAM URBAN RENEWAL AREA) 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 North Macadam Urban Renewal and Redevelopment Bonds may be issued.

Section 2. Findings.

The Council finds:

2.1. The City and the Portland Development Commission have formed the North Macadam Urban Renewal Area (the "Area") in compliance with the requirements of Oregon law. Ordinance No. 173651, approving the urban renewal plan and establishing a maximum indebtedness for the Area of \$288,562,000, was enacted on August 11, 1999, and no petitions were filed with the City or the Portland Development Commission seeking to refer the ordinance creating the plan and the North Macadam Urban Renewal Area to City voters.

2.2. This Declaration provides the terms under which the City may issue obligations that are secured by a lien on the Divide the Taxes Revenues of the City's North Macadam Urban Renewal Area.

Section 3. Definitions.

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

"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 scheduled to receive for Bond interest in that Fiscal Year.

"Adjusted Maximum Annual Debt Service" means the largest Adjusted Annual Debt Service that occurs after the date for which the calculation is done. Adjusted Maximum Annual Debt Service shall be calculated for the remainder of the Fiscal Year in which the calculation is made, and for each subsequent Fiscal Year in which Outstanding Bonds are scheduled to be paid.

"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 North Macadam 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 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 Master Bond Declaration (North Macadam Urban Renewal Area) authorizing the, as it may be amended from time to time pursuant to Section 9.

“Defeasance Obligations,” unless otherwise provided in a Supplemental Declaration, 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 A.

“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 calculating Adjusted 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.

“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.

“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 Annual Debt Service that occurs after the date for which the calculation is done.

“North Macadam Tax Increment Revenues” means the Divide the Taxes Revenues, plus earnings on the Tax Increment Fund.

“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 North Macadam Urban Renewal Plan, that was first approved on August 11, 1999, 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.

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

“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 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.

“Security” for a particular Series of Bonds means the North Macadam Tax Increment Revenues, any Federal Interest Subsidies, and any additional amounts that are pledged by the City to pay that particular Series of Bonds.

“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 North Macadam Tax Increment Revenues which are subordinate to the lien on, and pledge of, the North Macadam Tax Increment Revenues which secure the Bonds.

“Subordinate Indebtedness Account” means the account of that name in the Tax Increment Fund established in Section 5.4.

“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 North Macadam Debt Service Fund.

“Tax Maximum” means, for any Series of Bonds, the lesser of: (a) the Maximum Annual Debt Service on the Outstanding Bonds of the Series, determined as of the date of calculation; (b) 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, (c) 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.

“Valuation Date” means each date that a reserve subaccount is valued as prescribed in the supplemental declaration establishing the subaccount.

“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 North Macadam Tax Increment Revenues and Federal Interest Subsidies to pay the Bonds. 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. Deposits to the Tax Increment Fund.

(A) On the date the first Series of Parity Indebtedness is 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:

- (1) Subject to Section 5.1(B), to the Debt Service Account, until the Debt Service Account contains an amount sufficient to pay the Annual Debt Service for that Levy Year;
 - (2) To the Reserve Account, if the balance in any subaccount of the Reserve Account as determined on the immediately past Valuation Date is less than its Reserve Funding Requirement, until the balances in all subaccounts of the Reserve Account are equal to their Reserve Funding Requirements; and,
 - (3) To the Subordinate Indebtedness Account, any amounts which remain after the foregoing deposits have been made.
- (B) Whenever Federal Interest Subsidies are received by the City, if the Debt Service Account already contains amounts sufficient to pay the remaining Annual Debt Service for the Levy Year, the City shall nevertheless deposit those Federal Interest Subsidies in the Debt Service Account, but shall release an equal amount of Divide the Taxes Revenues that were previously deposited in the Debt Service Account, and apply the released Divide the Taxes Revenues first, as provided in Section (A)(2) and second, as provided in Section (A)(3).

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 5.5.
- (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 North Macadam 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, withdrawal procedures, replenishment requirements, permitted investments, valuation provisions, and other terms and conditions 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. Subordinate Indebtedness Account. North Macadam 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, North Macadam 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.

5.5. Earnings. Except as provided below in this Section 5.5, 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 North Macadam Tax Increment Revenues for the Base Period at least equaled one hundred and forty percent (140.00%) of the [Adjusted] 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 North Macadam Tax Increment Revenues for the Fiscal Year in which the proposed Parity Indebtedness is issued and the projected amount of the North Macadam 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 North Macadam Tax Increment Revenues in each of the Fiscal Years described in Section 6.1(B)(2)(I)(a) are at least equal to one hundred and forty percent (140.00%) 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 North Macadam 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 one hundred and forty percent (140.00%) of the [Adjusted] 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 North Macadam Tax Increment Revenues for the Base Period at least equaled one hundred percent (100.00%) of the [Adjusted] 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 North Macadam Tax Increment Revenues and Federal Interest Subsidies 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 bills 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 bills 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 North Macadam Tax Increment Revenues which is subordinate to the lien on, and pledge of, the North Macadam 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 North Macadam 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 North Macadam 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 North Macadam Tax Increment Revenues which are at least equal to one hundred forty percent (140.00%) of the [Adjusted] 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 North Macadam 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 North Macadam Tax Increment Revenues to fall below one hundred forty percent (140.00%) of the [Adjusted] 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 for the value of newly constructed property.

8.8. Except as provided in Section 8.7, neither the City nor the Commission shall approve, grant or provide any "Nondiscretionary Exemption Program" (as defined below in this Section 8.8 which causes the North Macadam Tax Increment Revenues that will be available from the Area after the program is in effect, as reasonably projected by the Debt Manager, to fall below one hundred forty percent (140.00%) of the [Adjusted] Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series). "Nondiscretionary Exemption Program" means a property tax exemption program that affects property in the Area and that grants any person the right to receive a property tax exemption for property in the Area without subsequent, discretionary approval of that exemption by the City pursuant to Section 8.9.

8.9. Except as provided in Section 8.7, neither the City nor the Commission shall approve, grant or provide any "Discretionary Property Tax Exemption" (as defined below in this Section 8.9, which causes the North Macadam Tax Increment Revenues that will be available from the Area after the exemption is in effect, as reasonably projected by the Debt Manager, to drop below one hundred forty percent (140.00%) of the [Adjusted] Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series). "Discretionary Property Tax Exemption" means any property tax exemption which the City has the ability to deny because of its impact on Tax Increment Revenues.

8.10. Before the City or the Commission takes formal action to limit the collection of the Divide the Taxes Revenues for a single Fiscal Year under ORS 457.455(1) (or any subsequent statute that allows the City to reduce its collections of Divide the Taxes Revenues for a single Fiscal Year), the Debt Manager shall project the North Macadam Tax Increment Revenues which will be available from the Area after such action is taken. Neither the City nor the Commission shall reduce collections for that Fiscal Year unless the Debt Manager reasonably projects that the reduction will not cause North Macadam Tax Increment Revenues for such Fiscal Year to fall below one hundred twenty-five percent (125.00%) of the [Adjusted] Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series).

8.11. Before the City or the Commission takes formal action to permanently limit the future collection of the Divide the Taxes Revenues under ORS 457.455(2) (or any subsequent statute that allows the City to elect to permanently reduce its future collections of Divide the Taxes Revenues), the Debt Manager shall project the North Macadam Tax Increment Revenues which will be available from the Area after such action is taken. Neither the City nor the Commission shall permanently reduce collections unless the Debt Manager reasonably projects that the reduction will not cause North Macadam Tax Increment Revenues to fall below one hundred forty percent (140.00%) of the [Adjusted] Maximum Annual Debt Service on all then Outstanding Bonds (calculated as if all Outstanding Bonds were part of a single Series).

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 North Macadam 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.

Dated as of this ____ day of March, 2010.

City of Portland, Oregon

By: _____
Eric H. Johansen, Debt Manager

Appendix A

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.