

April 4, 2011

To the persons on the attached Transcript Distribution List

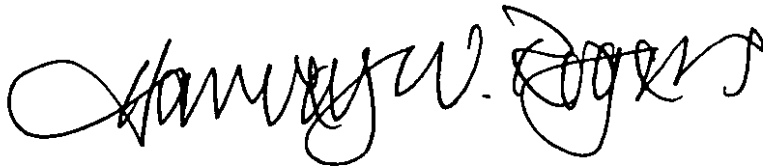
Subject: \$7,000,000 City of Lincoln City, Oregon,
General Obligation Sewer Bond, Series 2011;
Our File No. 1826974.00021

Ladies and Gentlemen:

We have enclosed a copy of the transcript for this financing for your records. We have enjoyed working with you on this issue and look forward to working with each of you again. Please call if you have any questions.

Cordially,

K&L GATES LLP

A handwritten signature in black ink, appearing to read "Harvey W. Rogers". The signature is written in a cursive, flowing style with a large initial "H" and "R".

Harvey W. Rogers

HWR/acg
Enclosure

TRANSCRIPT DISTRIBUTION LIST

\$7,000,000

**City of Lincoln City, Oregon
General Obligation Sewer Bond
Series 2011**

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LEGAL CLOSING MEMORANDUM AND INDEX

\$7,000,000

**City of Lincoln City, Oregon
General Obligation Sewer Bond
Series 2011**

Closing will be held at the offices of K&L Gates LLP at 10:30 a.m. on March 17, 2011. There will be no preclosing.

Listed below are the closing documents for this issue. Beside each document is the name of the party responsible for providing each document to Harvey Rogers at K&L Gates LLP by 10:30 a.m. on March 17, 2011. All documents should be originals or true copies of originals. Documents should be fully executed originals or the party providing the documents should ensure that persons authorized to sign their documents attend the closing.

The following abbreviations are used to indicate parties responsible for providing documents:

CLC: City of Lincoln City, Oregon, Issuer
BofA: U.S. Bank National Association, Bank
K&L: K&L Gates LLP, Bond Counsel

BASIC DOCUMENTS

1. K&L Transcript Certification.
2. K&L Bank's Term Sheet Proposal.
3. K&L Bond Purchase Agreement.
4. K&L Specimen Bond.

ISSUER'S DOCUMENTS

Election Phase

5. BC Minutes of August 23, 2004 City Council meeting at which Resolution No. 2004-27 was adopted calling an election to submit general obligation bond authorization to voters.
6. BC Resolution No. 2004-27.
7. BC Affidavit of Publication, Notice of Receipt of Ballot Title, *New-Times*, August 25, 2004.
8. BC Notice of City Measure Election indicating date received by Lincoln County elections office.
9. BC Copy of ballot.
10. BC Certificate of Mailing of ballots from Lincoln County elections office.
11. BC Minutes of November 22, 2004 City Council meeting at which Resolution No. 2004-35 was adopted declaring canvass of votes.
12. BC Resolution No. 2004-35.

13. BC Abstract of votes from Lincoln County elections office.

Bond Sale Phase

14. K&L Memorandum of City Recorder regarding March 14, 2011 City Council meeting at which Resolution No. 2011-09 was adopted authorizing bonds.
15. K&L Resolution No. 2011-09.
16. K&L General Certificate.
17. K&L Tax Certificate.
18. K&L Internal Revenue Service Form 8038-G and evidence of filing.
19. K&L Receipt for Bond Proceeds.
20. K&L Certificate Regarding No Reoffering.
21. K&L Receipt for Bond.

OPINIONS AND MISCELLANEOUS:

22. K&L Opinion of Bond Counsel.
23. BofA Settlement Instructions.

TRANSCRIPT CERTIFICATION

\$7,000,000

**City of Lincoln City, Oregon
General Obligation Sewer Bond
Series 2011**

On behalf of the City of Lincoln City, Oregon (the "City"), I hereby certify that the attached documents are true copies or duplicate originals of the documents which were assembled at the closing of the captioned bond on March 17, 2011 at the offices of K&L Gates LLP, Bond Counsel, in Portland, Oregon.

Dated as of the 17th day of March, 2011.

City of Lincoln City, Oregon

By: 
Ron Tierney, Financial Planner

**TERM SHEET PROPOSAL
CITY OF LINCOLN CITY, OREGON
February 25, 2011**

This Term Sheet Proposal is presented for discussion purposes only. It is not a commitment to lend by Bank of America or any of its affiliates. Bank of America may withdraw or amend it at any time in its sole discretion. If Bank of America does extend a loan commitment, the actual terms and conditions (including pricing and financial covenants) will be subject to completion of due diligence, Bank of America's credit and documentation standards, necessary credit approval, market conditions and other considerations determined by Bank of America in its sole discretion.

BORROWER: City of Lincoln City, Oregon (the "Borrower").

LENDER: Bank of America, N.A. ("Bank of America" or "Bank").

CREDIT FACILITY: \$7,000,000 tax-exempt general obligation bond (the "Credit Facility").

PURPOSE: The proceeds of the Credit Facility shall be used to finance the improvement and expansion of Borrower's sewage treatment plant and collection system, as described in the ballot title for Measure No. 21-99 (the "Measure"), and costs of issuance and financing.

MATURITY: Borrower may select either a 15-year maturity or a 20-year maturity for the Credit Facility, subject to the rates and terms set forth below.

INTEREST RATE: **15-Year Maturity:** Fixed at 4.15%, tax-exempt bank qualified.
20-Year Maturity: Fixed at 4.70%, tax-exempt bank qualified.

These are indicative rates as of today's date. The final rate will be locked one week prior to closing based on market rates for municipal tax-exempt loans prevailing at that time. Upon mutual agreement by Borrower and Bank of America, the final rate may be locked prior to that date with reimbursement of Bank of America's expense to provide a forward rate lock. As of today's date, a one-month forward rate lock would increase the interest rate by 0.06%.

INTEREST CALCULATION All calculations of interest shall be made on the basis of a 30-day month and a 360-day year.

ORIGINATION FEE: \$5,000 payable at closing.

REPAYMENT/MATURITY: **15-Year Maturity:** Commencing September 1, 2011, principal and interest on the Credit Facility shall be paid quarterly, based on full amortization and level debt service. The Credit Facility will mature, and all unpaid principal and interest will be due and payable, 15 years after closing.
20-Year Maturity: Commencing September 1, 2011, principal and interest on the Credit Facility shall be paid quarterly, based on full amortization and level debt service. The Credit Facility will mature, and all unpaid principal and interest will be due and payable, 20 years after closing.

SECURITY: The Credit Facility shall be a general obligation of the Borrower. The Borrower shall pledge its full faith and credit to pay the Credit Facility, and the Borrower shall covenant for the benefit of Bank of America that the Borrower shall levy annually, as provided by law, in addition to its other ad valorem property taxes and outside the limitations of Sections 11 and 11b of Article IX of the Oregon Constitution, a direct ad valorem tax upon all of the taxable property within the City of Lincoln City in sufficient amount, after considering sewer system revenues that the Borrower makes available to pay the Credit Facility and expected discounts and delinquencies in the payment of those ad valorem taxes, to pay the Credit Facility promptly as it becomes due and payable.

PREPAYMENTS: Any prepayment of a fixed rate loan under this Credit Facility prior to its scheduled maturity shall result in the imposition of a prepayment penalty. The calculation of such prepayment penalty shall include any loss or expense which Bank of America may incur or sustain as a result of such prepayment.

REPRESENTATIONS AND WARRANTIES: Usual and customary for transactions of this type.

COVENANTS: Usual and customary for transactions of this type.

LEGAL OPINION: Borrower to provide a legal opinion of nationally recognized bond counsel, in form and substance acceptable to Bank and its legal counsel, that (i) the resolution and all documents related to the Credit Facility have been properly adopted, authorized and executed; (ii) the resolution and all documents related to the Credit Facility constitute a legally binding obligation of the Borrower, payable from the Security and enforceable according to their terms (subject to standard exceptions); (iii) interest payable on the Credit Facility is excludable from net income for purposes of federal and state income taxes; and (iv) Borrower has designated the Credit Facility as a "qualified tax-exempt obligation".

REPORTING REQUIREMENTS: Financial Information from Borrower. Borrower to provide financial information and statements in form and content acceptable to Bank of America indicated below:

- Within 210 days of fiscal year end, the Borrower's audited annual financial statement.
- Within 45 days of adoption, the Borrower's annual budget.
- Such other financial information as may be reasonably requested by Bank of America from time to time.

EVENTS OF DEFAULT: Usual and customary in transactions of this type.

In addition to other legal remedies, if an event of default occurs due to nonpayment of principal, interest, fees or other amounts when due, then Bank of America may increase the interest rate spread by three percent (3.0%).

GOVERNING LAW/ARBITRATION: State of Oregon. Any dispute arising out of or related to this letter or the final loan documentation shall be determined by binding arbitration in accordance with the Federal Arbitration Act. All arbitration proceedings shall be conducted through the American Arbitration Association (an independent, alternative dispute resolution service).

EXPENSES: Borrower will pay all reasonable costs and expenses associated with the preparation, due diligence, administration and enforcement of all documentation executed in connection with the Credit Facility, including Bank of America's attorneys' fees. Bank of America's attorneys' fees for initial review and approval of documentation are subject to a cap of \$900.

EXPIRATION OF PROPOSAL: The terms proposed herein lapse if Bank of America is not selected as the Lender by March 31, 2011, or if the subject transaction is not closed by May 31, 2011, unless extended by mutual agreement.

This Term Sheet Proposal contains confidential and proprietary loan structuring and pricing information. Except for disclosure on a confidential basis to your accountants, attorneys and other professional advisors retained by you in connection with the credit facilities contained in this Term Sheet Proposal or as may be required by law, the contents of the Term Sheet Proposal may not be disclosed in whole or in part to any other person or entity without our prior written consent, provided that nothing herein shall restrict disclosure of information relating to the tax structure or tax treatment of the proposed credit facilities.

Under Oregon law, most agreements, promises, and commitments made by Bank concerning loans and other credit extensions which are not for personal, family, or household purposes or secured solely by the borrower's residence must be in writing, express consideration, and be signed by Lender to be enforceable.

BOND PURCHASE AGREEMENT

by and between

Bank of America, N.A.
as Bank

and

City of Lincoln City, Oregon
as Issuer

General Obligation Sewer Bond, Series 2011

Dated as of March 17, 2011

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EXHIBIT A: DEBT SERVICE SCHEDULE

EXHIBIT B: PREPAYMENT FEE

BOND PURCHASE AGREEMENT

This Bond Purchase Agreement (the "Bond Purchase Agreement") is dated as of March 17, 2011, and is entered into by and between Bank of America, N.A., as Bank (the "Bank"), and the City of Lincoln City, Oregon, as the issuer (the "City"). The parties hereby agree as follows:

1. Recitals, Definitions and Rules of Construction.

1.1 Recitals.

(A) The City recites that the City is authorized to issue general obligation bonds pursuant to ORS 287A.050, the relevant sections of ORS Chapter 287A and the City Charter, and executes this Bond Purchase Agreement to sell \$7,000,000 of the general obligation bonds that were authorized by the City's voters on November 2, 2004. The City is authorized to issue those bonds to finance the projects described in Measure 21-99 from the November 2, 2004 election.

(B) The Bank recites that the Bank desires to purchase the City's \$7,000,000 general obligation bond in accordance with this Bond Purchase Agreement.

1.2 Definitions.

Unless the context clearly requires otherwise, capitalized terms used in this Bond Purchase Agreement which are defined in this Section 1.2 shall have the following meanings:

"Bank" means Bank of America, N.A.

"Bond" means the General Obligation Sewer Bond, Series 2011 described in this Bond Purchase Agreement.

"Bond Amount" means \$7,000,000.

"Bond Payments" means the payments described in Section 3.2 of this Bond Purchase Agreement.

"Bond Purchase Agreement" means this Bond Purchase Agreement, including any amendments to this Bond Purchase Agreement.

"City" means the City of Lincoln City, Oregon located in Lincoln County, Oregon.

"City Official" means the City Manager, the Financial Planner, the Finance Director, or the person designated by the City Manager.

"Closing Date" means March 17, 2011.

"Code" means the Internal Revenue Code of 1986, as amended, including the regulations, rulings and judicial decisions interpreting that code.

“Event of Default” means the declaration by the Bank of an event of default as a result of a determination by the Bank that there has been: (i) a failure to pay the Bond Payments when due, as provided in this Bond Purchase Agreement; or (ii) a failure by the City to comply with any of its obligations or to perform any of its duties under this Bond Purchase Agreement, the Bond, or the Resolution for a period of 60 days after written notice to the City by the Bank, specifying such failure and requesting that it be remedied, unless the Bank shall agree in writing to an extension of such time prior to its expiration; provided however, that if the failure stated in the notice cannot be corrected within the applicable period, the Bank will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the failure is corrected; (iii) an Event of Taxability; or (iv) a material misrepresentation by the City in this Bond Purchase Agreement, the Bond, or the Resolution.

“Event of Taxability” means (i) the enactment of legislation or the adoption of final regulations or a final decision, ruling or technical advice by any federal judicial or administrative authority which has the effect of requiring interest on the Bond to be included in the gross income of the Bank for federal income tax purposes or (ii) the receipt by the Bank of a written opinion of nationally recognized bond counsel selected by the City and approved by the Bank to the effect that interest on the Bond must be included in the gross income of the Bank for federal income tax purposes; provided that no decision by any court or decision, ruling or technical advice by any administrative authority shall be considered final without the consent of the City until the expiration of all periods for judicial review or appeal.

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

“Payment Date(s)” means each March 1, June 1, September 1 and December 1 beginning June 1, 2011.

“Resolution” means City Resolution No. 2011-09, adopted March 14, 2011, authorizing the sale of the Bond and the execution of this Bond Purchase Agreement.

2. Representations, Warranties and Covenants.

2.1 Representations and Warranties of the City.

The City represents, covenants and warrants for the benefit of the Bank and its assignees as follows:

- (A) The City is duly created and existing under the laws of the State of Oregon, has all necessary power and authority to enter into this Bond Purchase Agreement and the Bond and perform its duties under the Resolution, the Bond, and this Bond Purchase Agreement, and that the Resolution, the Bond, and this Bond Purchase Agreement will, when executed by a City Official, constitute legal, valid and binding obligations of the City which are enforceable in accordance with their terms.

(B) The City is authorized under ORS 287A.050 and the applicable provisions of ORS Chapter 287A to issue the Bond and enter into this Bond Purchase Agreement and to perform all of its obligations under the Bond and this Bond Purchase Agreement.

(C) The adoption of the Resolution and the execution and delivery of this Bond Purchase Agreement and the Bond will not conflict in any material respect with, or constitute a material breach of or default under, any law, charter provision, court decree, administrative regulation, resolution, ordinance or other agreement to which the City is a party or by which it is bound.

(D) There is no action, suit, proceeding or investigation at law or in equity before or by any court or government, city or body pending or, to the best of the knowledge of the City, threatened against the City to restrain or enjoin the execution and delivery of this Bond Purchase Agreement or the Bond or the adoption of the Resolution, or the collection and application of the funds as contemplated by the Resolution, the Bond and this Bond Purchase Agreement, which, in the reasonable judgment of the City, would have a material and adverse effect on the ability of the City to pay the amounts due under this Bond Purchase Agreement.

(E) To the extent permitted by law, the City agrees to indemnify and hold harmless the Bank and all of its agents and employees against any and all losses, claims, damages, liabilities and expenses arising out of any statement made by the City to the Bank, its agents or employees, which relates to the Bond, the Resolution or this Bond Purchase Agreement, and which is untrue or incorrect in any material respect.

2.2 Tax Covenant; Designation.

(A) The City covenants to comply with the applicable provisions of the Code so that interest on the Bond is excludable from gross income under the Code. All covenants of the City relating to the excludability of interest that are contained in the "Tax Certificate" and other closing documents for the Bond are hereby incorporated by reference.

(B) The City hereby designates the Bond as a "qualified tax-exempt obligation" under Section 265 of the Code.

2.3 Representations and Warranties of the Bank.

The Bank represents, covenants and warrants for the benefit of the City as follows:

(A) The Bank is authorized to enter into this Bond Purchase Agreement.

(B) The consummation of the transactions contemplated by this Bond Purchase Agreement and the Bond will not violate the provisions of, or constitute a breach or default under, the articles of incorporation, charter or bylaws of the Bank or any agreement to which the Bank is a party.

(C) The execution, delivery and performance by the Bank of this Bond Purchase Agreement and all related agreements, instruments and documents to which the Bank is a party have been duly authorized and constitute legal, valid and binding obligations of the Bank, enforceable against the Bank in accordance with their terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

3. Terms of Borrowing.

3.1 The Bond Purchase.

(A) The Bank agrees to purchase the Bond on the Closing Date from the City for a price equal to the principal amount of the Bond, less an origination fee of \$5,000, subject to the terms and conditions contained in this Bond Purchase Agreement.

(B) The City agrees to sell the Bond to the Bank on the terms and conditions contained in this Bond Purchase Agreement. This Bond Purchase Agreement shall commence on the Closing Date and shall end on the date that all Bond principal and interest payments have been paid.

3.2 Bond Terms.

(A) The Bond shall be in the principal amount of \$7,000,000, shall mature on March 1, 2026, and shall bear interest payable quarterly on each Payment Date beginning on June 1, 2011, at the rate of four and ten hundredths percent (4.10%), calculated on a 30/360 day basis. The payment schedule for the Bond is attached as Exhibit A.

3.3 Prepayment and Defeasance.

(A) The Bond may be prepaid only if the City pays a prepayment fee according to the terms of Exhibit B attached hereto.

(B) If immediate repayment of the Bond would result in the imposition of a prepayment fee pursuant to Section 3.3(A) above, the City may deposit funds into an account held at and pledged to the Bank. Any prepayment from the funds set aside pursuant to this subsection will be applied to the principal payment and associated interest selected by the City. Upon making the deposits described in this subsection, the principal and associated interest to be paid from the deposit shall be defeased and deemed paid.

3.4 Security.

The Bond is a general obligation of the City that was authorized by the voters of the City at the general election held on November 2, 2004. The Bond Purchase Agreement was authorized by the Resolution.

The City hereby pledges its full faith and credit to pay the Bond Payments and the City covenants for the Bank that the City shall levy annually, as provided by law, in addition to its other ad valorem property taxes and outside the limitations of Section 11 and 11b of Article XI of the Oregon Constitution, a direct ad valorem tax upon all of the taxable property within the City in sufficient amount, after considering sewer system revenues that the City Council makes available to pay the Bond and expected discounts and delinquencies in the payment of those ad valorem taxes, to pay the Bond Payments when due.

3.5 Estoppel.

The City hereby certifies, recites and declares that all things, conditions and acts required by the Constitution and Statutes of the State of Oregon and the City Charter and by this Bond Purchase Agreement to exist, to have happened and to have been performed precedent to and in the execution and the delivery of this Bond Purchase Agreement, do exist, have happened and have been performed in due time, form and manner, as required by law, and that this Bond Purchase Agreement and the Bond are valid and binding obligations of the City which are enforceable against the City in accordance with their terms, except to the extent that enforceability may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; and (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

4. Fees, Costs and Expenses.

4.1 Bank Fee.

The Bank shall be entitled to an origination fee of \$5,000, which the Bank may deduct from the purchase price of the Bond.

4.2 Bank's Costs of Enforcement.

If legal action is taken by either party to this Bond Purchase Agreement to enforce the provisions of this Bond Purchase Agreement or the Bond, the prevailing party shall be entitled to its reasonable attorneys' fees and costs, including fees and costs at trial, on appeal or otherwise, including any allocated costs of in-house counsel.

4.3 Other Fees and Costs.

The City shall pay the fees and costs of its legal counsel, and any other expenses and costs which the City incurs in connection with this Bond Purchase Agreement or the Bond. The City shall also reimburse the Bank for its legal expenses, in an amount not to exceed \$900, promptly on the Closing Date. The Bank shall pay all other out-of-pocket expenses of the Bank and Bank's counsel, including travel and other expenses.

5. Title and Security Interests.

The City shall be entitled to unencumbered, fee simple title to the projects being financed with this Bond Purchase Agreement and the Bank shall have no lien on, or security interest in, the projects being financed with this Bond Purchase Agreement.

6. Financial Statements; Notice of Adverse Developments; Budgets.

6.1 Financial Statements.

Within 210 days after the end of each of its Fiscal Years, the City shall provide the Bank with a copy of the City's final, annual audited financial statements while any amounts remain unpaid under this Bond Purchase Agreement. Promptly upon request by the Bank, the City shall provide to the Bank such additional information as the Bank may reasonably request.

6.2 Notice of Adverse Developments.

While any amounts remain unpaid under this Bond Purchase Agreement, the City shall notify the Bank promptly of any litigation or proceeding in which the City is a party or the existence of a dispute between the City and any governmental authority or law enforcement authority which, in the reasonable judgment of the City, would have a material and adverse effect on the ability of the City to pay the amounts due under this Bond Purchase Agreement.

6.3 Budgets.

The City shall provide the Bank with each final, proposed budget for the City which is prepared, and each budget which is adopted, within 45 days after proposal or adoption, while any amounts remain unpaid under this Bond Purchase Agreement.

7. Conditions to the Obligations of the Bank.

The Bank may refuse to purchase the Bond under this Bond Purchase Agreement unless, on or prior to the Closing Date, the Bank shall have received:

- (A) a certified copy of the duly authorized Resolution;
- (B) a signed original of this Bond Purchase Agreement;
- (C) a signed original of the Bond;
- (D) an opinion of K&L Gates LLP, the City's bond counsel to the effect that: (i) the Resolution has been properly adopted and the Bond, and this Bond Purchase Agreement have been properly authorized and executed; (ii) the Resolution, the Bond, and this Bond Purchase Agreement are valid and legally binding obligations of the City, enforceable against the City in accordance with their terms (subject to customary exceptions and limitations); (iii) the interest payable on the Bond is excludable from gross income for federal income tax purposes under the Code and is exempt from Oregon personal income

tax under existing state law; and (iv) noting that the Bond has been designated as a qualified tax-exempt obligation under Section 265(b)(3)(B) of the Code.

(E) the certificate of a City Official to the effect that:

(i) there is no action, suit, proceeding or investigation at law or in equity before or by any court or government, city or body pending or, to the best of the knowledge of the City, threatened against the City to restrain or enjoin the adoption of the Resolution or the execution and delivery of this Bond Purchase Agreement or the Bond, or the collection and application of funds as contemplated by this Bond Purchase Agreement or the Bond, which, in the reasonable judgment of the City, would have a material and adverse effect on the ability of the City to pay the amounts due under this Bond Purchase Agreement, and,

(ii) the adoption of the Resolution and the execution and delivery of this Bond Purchase Agreement and the Bond do not and will not conflict in any material respect with or constitute on the part of the City a breach of or default under any law, charter provision, court decree, administrative regulation, resolution, ordinance or other agreement or instrument to which the City is a party or by which it is bound; and,

(F) such additional legal opinions, certificates, proceedings, instruments or other documents as the Bank or its counsel may reasonably request to evidence compliance by the City with the legal requirements for execution and delivery of this Bond Purchase Agreement and the due performance or satisfaction by the City of all agreements then to be performed and all conditions then to be satisfied by the City.

8. Events of Default and Remedies.

8.1 If an Event of Default occurs, the Bank may exercise any remedy available at law or in equity. In addition, upon the occurrence of an Event of Default due to a failure to make the Bond Payments when due the Bank may increase the interest rate to a fixed interest rate three percentage points (3.0%) in excess of the interest rate otherwise applicable under this Bond Purchase Agreement, effective as of the date of such Event of Default. If the City subsequently cures all such Events of Default, then the rate of interest on this Bond Purchase Agreement and the Bond shall automatically decrease to the rate set forth in Section 3.2 of this Bond Purchase Agreement, effective on the date that notice of such cure is received by the Bank. However, this Bond Purchase Agreement, the Bond, and the Bond Payments shall not be subject to acceleration. No remedy shall be exclusive.

8.2 The Bank may waive any Event of Default, but no such waiver shall extend to a subsequent Event of Default. No delay or omission of the Bank to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or to be an acquiescence therein; and every power and remedy given by this Section to the Bank may be exercised from time to time and as often as may be deemed expedient by the Bank.

8.3 No remedy referred to in this Section is exclusive, but each shall be cumulative and in addition to any other remedy referred to herein or otherwise available to the Bank at law or in equity. In the event that the Bank exercises or begins to exercise any one or more of such remedies, such action shall not preclude the simultaneous or later exercise by the Bank of any other remedies. No express or implied waiver by the Bank of an Event of Default shall constitute a waiver of any other or subsequent Event of Default.

8.4 If by reason of force majeure, the City is unable in whole or in part to carry out its agreement herein contained, other than the obligation of the City to pay the Bond Payments when due, the City shall not be deemed in default during the continuance of such inability. The term “force majeure” as used herein shall mean, without limitation, any of the following: acts of God; strikes, lockouts or other industrial disturbances; acts of the public enemy; orders or restraints of any kind of the government of the United States of America or of the City or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires; storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of the City.

9. Dispute Resolution Provision.

9.1 This Section, including the subsections below, is referred to as the “Dispute Resolution Provision.” This Dispute Resolution Provision is a material inducement for the parties entering into this Bond Purchase Agreement. This Dispute Resolution Provision concerns the resolution of any controversies or claims between the parties that arise out of or relate to:

- (A) this Bond Purchase Agreement, the Bond (including any renewals, extensions or modifications of this Bond Purchase Agreement or the Bond), the Resolution or any document, agreement or procedure related to or delivered in connection with this Bond Purchase Agreement,
- (B) any default under this Bond Purchase Agreement, or
- (C) any claims for damages resulting from any business conducted between the City and the Bank relating to this Bond Purchase Agreement, including claims for injury to persons, property or business interest (torts).

9.2 For the purposes of this Dispute Resolution Provision only, the term “parties” shall include any parent corporation, subsidiary or affiliate of the Bank involved in the servicing, management or administration of any obligation described or evidenced by this Bond Purchase Agreement.

9.3 At the request of any party to this Bond Purchase Agreement, any claim shall be resolved by binding arbitration in accordance with the Federal Arbitration Act (Title 9, U.S. Code) (the “Act”). The Act will apply even though this Bond Purchase Agreement provides that it is governed by the law of the State of Oregon.

9.4 Arbitration proceedings will be determined in accordance with the Act, the then-current rules and procedures for the arbitration of financial services disputes of the American Arbitration Association or any successor thereof (“AAA”), and the terms of this Dispute Resolution Provision. In the event of any inconsistency, the terms of this Dispute Resolution Provision shall control. If AAA is unwilling or unable to (i) serve as the provider of arbitration or (ii) enforce any provision of this arbitration clause, the Bank may designate another arbitration organization with similar procedures to serve as the provider of arbitration.

9.5 The arbitration shall be administered by AAA and conducted, unless otherwise required by law, in the State of Oregon. All claims shall be determined by one arbitrator; however, if claims exceed Five Million Dollars (\$5,000,000), upon the request of any party, the claims shall be decided by three arbitrators. All arbitration hearings shall commence within ninety (90) days of the demand for arbitration and close within ninety (90) days of commencement and the award of the arbitrator(s) shall be issued within thirty (30) days of the close of the hearing. However, the arbitrator(s), upon a showing of good cause, may extend the commencement of the hearing for up to an additional sixty (60) days. The arbitrator(s) shall provide a concise written statement of reasons for the award. The arbitration award may be submitted to any court having jurisdiction to be confirmed and have judgment entered and enforced.

9.6 The arbitrator(s) will give effect to statutes of limitation in determining any claim and may dismiss the arbitration on the basis that the claim is barred. For purposes of the application of any statutes of limitation, the service on AAA under applicable AAA rules of a notice of claim is the equivalent of the filing of a lawsuit. Any dispute concerning this arbitration provision or whether a claim is arbitrable shall be determined by the arbitrator(s), except as set forth below. The arbitrator(s) shall have the power to award legal fees pursuant to the terms of this Bond Purchase Agreement.

9.7 This Section does not limit the right of any party to: (i) exercise self-help remedies, such as but not limited to, setoff; (ii) initiate judicial or non-judicial foreclosure against any real or personal property collateral; (iii) exercise any judicial or power of sale rights, or (iv) act in a court of law to obtain an interim remedy, such as but not limited to, injunctive relief, writ of possession or appointment of a receiver, or additional or supplementary remedies.

9.8 The filing of a court action is not intended to constitute a waiver of the right of any party, including the suing party, thereafter to require submittal of the claim to arbitration.

9.9 Any arbitration or trial by a judge of any claim will take place on an individual basis without resort to any form of class or representative action (the “Class Action Waiver”). Regardless of anything else in this Dispute Resolution Provision, the validity and effect of the Class Action Waiver may be determined only by a court and not by an arbitrator. The parties to this Bond Purchase Agreement acknowledge that the Class Action Waiver is material and essential to the arbitration of any disputes between the parties and is nonseverable from the agreement to arbitrate claims. If the Class Action Waiver is limited, voided or found unenforceable, then the parties’ agreement to arbitrate shall be null and void with respect to such proceeding, subject to the right to appeal the limitation or invalidation of the Class Action

Waiver. The Parties acknowledge and agree that under no circumstances will a class action be arbitrated.

9.10 By agreeing to binding arbitration, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of any claim. Furthermore, without intending in any way to limit this Bond Purchase Agreement to arbitrate, to the extent any claim is not arbitrated, the parties irrevocably and voluntarily waive any right they may have to a trial by jury in respect of such claim. This waiver of jury trial shall remain in effect even if the Class Action Waiver is limited, voided or found unenforceable. **WHETHER THE CLAIM IS DECIDED BY ARBITRATION OR BY TRIAL BY A JUDGE, THE PARTIES AGREE AND UNDERSTAND THAT THE EFFECT OF THIS BOND PURCHASE AGREEMENT IS THAT THEY ARE GIVING UP THE RIGHT TO TRIAL BY JURY TO THE EXTENT PERMITTED BY LAW.**

10. Miscellaneous.

10.1 Notices.

All notices and other communications required by the Bond Purchase Agreement shall be considered properly given if they are delivered or mailed by registered mail or certified form (return receipt requested), postage prepaid:

To the Bank at:

Bank of America, N.A.
121 S.W. Morrison Street, Suite 1700
Portland, Oregon 97204-3117
Attn.: Government Banking (OR1-129-17-15)

To the City at:

City of Lincoln City
801 SW Highway 101
Lincoln City, OR 97367-2766
Attn: City Manager, Financial Planner, or Finance Director

10.2 Binding Effect.

This Bond Purchase Agreement shall inure to the benefit of and shall be binding upon the Bank and the City and their respective successors and assigns.

10.3 Severability.

In the event any provisions of this Bond Purchase Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provisions hereof.

10.4 Amendments.

This Bond Purchase Agreement may be amended only by a writing signed by both parties.

10.5 Execution in Counterparts.

This Bond Purchase Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute the same instrument.

10.6 Applicable Law.

This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Oregon. Any action regarding this Bond Purchase Agreement or the transactions contemplated hereby shall be brought in an appropriate court of the State of Oregon in Lincoln County, Oregon.

10.7 Rules of Construction.

References to section numbers in documents which do not specify the document in which the section is located shall be construed as references to section numbers in this Bond Purchase Agreement.

10.8 Headings.

The headings, titles and table of contents in this Bond Purchase Agreement are provided for convenience and shall not affect the meaning, construction or effect of this Bond Purchase Agreement. All references herein to "Sections," and other subdivisions which do not specify the document in which the subdivision is located shall be construed as references to this Bond Purchase Agreement.

IN WITNESS WHEREOF, the Bank has executed this Bond Purchase Agreement in its corporate name by its duly authorized officer and the City has caused this Bond Purchase Agreement to be executed in its name by a duly authorized City Official, all as of the date first above written.

Under Oregon law, most agreements, promises and commitments made by the Bank, concerning loans and other credit extensions which are not for personal, family or household purposes or secured solely by the borrower's residence must be in writing, express consideration and be signed by us to be enforceable.

Bank of America, N.A.


Sharon Capizzo, Senior Vice President

City of Lincoln City, Oregon


Ron Tierney, Financial Planner

EXHIBIT A**Debt Service Schedule**

DATE	Beg Balance	Payment	Principal	Interest	End Balance
3/17/2011	7,000,000.00				7,000,000.00
6/1/2011	7,000,000.00	156,491.63	97,497.19	58,994.44	6,902,502.81
9/1/2011	6,902,502.81	156,491.63	85,740.98	70,750.65	6,816,761.83
12/1/2011	6,816,761.83	156,491.63	86,619.82	69,871.81	6,730,142.01
3/1/2012	6,730,142.01	156,491.63	87,507.67	68,983.96	6,642,634.34
6/1/2012	6,642,634.34	156,491.63	88,404.63	68,087.00	6,554,229.71
9/1/2012	6,554,229.71	156,491.63	89,310.78	67,180.85	6,464,918.93
12/1/2012	6,464,918.93	156,491.63	90,226.21	66,265.42	6,374,692.72
3/1/2013	6,374,692.72	156,491.63	91,151.03	65,340.60	6,283,541.69
6/1/2013	6,283,541.69	156,491.63	92,085.33	64,406.30	6,191,456.36
9/1/2013	6,191,456.36	156,491.63	93,029.20	63,462.43	6,098,427.16
12/1/2013	6,098,427.16	156,491.63	93,982.75	62,508.88	6,004,444.41
3/1/2014	6,004,444.41	156,491.63	94,946.07	61,545.56	5,909,498.34
6/1/2014	5,909,498.34	156,491.63	95,919.27	60,572.36	5,813,579.07
9/1/2014	5,813,579.07	156,491.63	96,902.44	59,589.19	5,716,676.63
12/1/2014	5,716,676.63	156,491.63	97,895.69	58,595.94	5,618,780.94
3/1/2015	5,618,780.94	156,491.63	98,899.13	57,592.50	5,519,881.81
6/1/2015	5,519,881.81	156,491.63	99,912.84	56,578.79	5,419,968.97
9/1/2015	5,419,968.97	156,491.63	100,936.95	55,554.68	5,319,032.02
12/1/2015	5,319,032.02	156,491.63	101,971.55	54,520.08	5,217,060.47
3/1/2016	5,217,060.47	156,491.63	103,016.76	53,474.87	5,114,043.71
6/1/2016	5,114,043.71	156,491.63	104,072.68	52,418.95	5,009,971.03
9/1/2016	5,009,971.03	156,491.63	105,139.43	51,352.20	4,904,831.60
12/1/2016	4,904,831.60	156,491.63	106,217.11	50,274.52	4,798,614.49
3/1/2017	4,798,614.49	156,491.63	107,305.83	49,185.80	4,691,308.66
6/1/2017	4,691,308.66	156,491.63	108,405.72	48,085.91	4,582,902.94
9/1/2017	4,582,902.94	156,491.63	109,516.87	46,974.76	4,473,386.07
12/1/2017	4,473,386.07	156,491.63	110,639.42	45,852.21	4,362,746.65
3/1/2018	4,362,746.65	156,491.63	111,773.48	44,718.15	4,250,973.17
6/1/2018	4,250,973.17	156,491.63	112,919.16	43,572.47	4,138,054.01
9/1/2018	4,138,054.01	156,491.63	114,076.58	42,415.05	4,023,977.43
12/1/2018	4,023,977.43	156,491.63	115,245.86	41,245.77	3,908,731.57
3/1/2019	3,908,731.57	156,491.63	116,427.13	40,064.50	3,792,304.44
6/1/2019	3,792,304.44	156,491.63	117,620.51	38,871.12	3,674,683.93
9/1/2019	3,674,683.93	156,491.63	118,826.12	37,665.51	3,555,857.81
12/1/2019	3,555,857.81	156,491.63	120,044.09	36,447.54	3,435,813.72
3/1/2020	3,435,813.72	156,491.63	121,274.54	35,217.09	3,314,539.18
6/1/2020	3,314,539.18	156,491.63	122,517.60	33,974.03	3,192,021.58
9/1/2020	3,192,021.58	156,491.63	123,773.41	32,718.22	3,068,248.17
12/1/2020	3,068,248.17	156,491.63	125,042.09	31,449.54	2,943,206.08

DATE	Beg Balance	Payment	Principal	Interest	End Balance
3/1/2021	2,943,206.08	156,491.63	126,323.77	30,167.86	2,816,882.31
6/1/2021	2,816,882.31	156,491.63	127,618.59	28,873.04	2,689,263.72
9/1/2021	2,689,263.72	156,491.63	128,926.68	27,564.95	2,560,337.04
12/1/2021	2,560,337.04	156,491.63	130,248.18	26,243.45	2,430,088.86
3/1/2022	2,430,088.86	156,491.63	131,583.22	24,908.41	2,298,505.64
6/1/2022	2,298,505.64	156,491.63	132,931.95	23,559.68	2,165,573.69
9/1/2022	2,165,573.69	156,491.63	134,294.50	22,197.13	2,031,279.19
12/1/2022	2,031,279.19	156,491.63	135,671.02	20,820.61	1,895,608.17
3/1/2023	1,895,608.17	156,491.63	137,061.65	19,429.98	1,758,546.52
6/1/2023	1,758,546.52	156,491.63	138,466.53	18,025.10	1,620,079.99
9/1/2023	1,620,079.99	156,491.63	139,885.81	16,605.82	1,480,194.18
12/1/2023	1,480,194.18	156,491.63	141,319.64	15,171.99	1,338,874.54
3/1/2024	1,338,874.54	156,491.63	142,768.17	13,723.46	1,196,106.37
6/1/2024	1,196,106.37	156,491.63	144,231.54	12,260.09	1,051,874.83
9/1/2024	1,051,874.83	156,491.63	145,709.91	10,781.72	906,164.92
12/1/2024	906,164.92	156,491.63	147,203.44	9,288.19	758,961.48
3/1/2025	758,961.48	156,491.63	148,712.27	7,779.36	610,249.21
6/1/2025	610,249.21	156,491.63	150,236.58	6,255.05	460,012.63
9/1/2025	460,012.63	156,491.63	151,776.50	4,715.13	308,236.13
12/1/2025	308,236.13	156,491.63	153,332.21	3,159.42	154,903.92
3/1/2026	154,903.92	156,491.69	154,903.92	1,587.77	0.00

EXHIBIT B

Prepayment Fee

Prior to the Maturity Date, the Bond may be prepaid in whole, or in part, on any date, with three (3) days prior written notice to the Bank by payment of an amount equal to the principal amount to be prepaid plus accrued interest thereon to the date of prepayment plus the Prepayment Fee. For purposes hereof, the Prepayment Fee will be the sum of fees calculated separately for each Prepaid Installment, as follows:

(i) The Bank will first determine the amount of interest which would have accrued each month for the Prepaid Installment had it remained outstanding until the applicable Original Payment Date at the Initial Cost of Funds Rate applicable to the Prepaid Installment under the Bond.

(ii) The Bank will then subtract from each monthly interest amount determined in (i), above, the amount of interest which would accrue for that Prepaid Installment if it were reinvested from the date of prepayment or redemption through the Original Payment Date, using the Treasury Rate.

(iii) If (i) minus (ii) for the Prepaid Installment is greater than zero, the Bank will discount the monthly differences to the date of prepayment or redemption by the Treasury Rate. The Bank will then add together all of the discounted monthly differences for the Prepaid Installment.

The following definitions will apply to the calculation of the Prepayment Fee:

(i) "Initial Cost of Funds Rate" means the fixed rate of interest per annum representing, in the Bank's sole and absolute discretion, the Bank's cost of purchasing funds, or the cost of purchasing and exchanging funds through swaps or other derivative products, for an amount and under terms reflecting the characteristics of the Prepaid Installment from March 17, 2011 through the Maturity Date.

(ii) "Original Payment Dates" mean the dates on which the prepaid or redeemed principal would have been paid if there had been no prepayment or redemption. If any of the principal would have been paid later than the end of the fixed rate interest period in effect at the time of prepayment or redemption, then the Original Payment Date for that amount will be the last day of the interest period.

(iii) "Prepaid Installment" means the amount of the prepaid or redeemed principal which would have been paid on a single Original Payment Date.

(iv) "Treasury Rate" means the yield on the Treasury Constant Maturity Series with maturity equal to the Original Payment Date of the Prepaid Installment which are principal payments (calculated as of the prepayment in accordance with accepted financial practice and rounded to the nearest quarter-year), as reported in Federal Reserve Statistical Release H.15, Selected Interest Rates of the Board of Governors of the Federal Reserve System, or any successor publication. If no maturity exactly corresponding to such Original Payment Date appears in Release H.15, the Treasury Rate will be determined by linear interpolation between the yields reported in

Release H.15. If for any reason Release H.15 is no longer published, the Bank shall select a comparable publication to determine the Treasury Rate.

UNITED STATES OF AMERICA
STATE OF OREGON
CITY OF LINCOLN CITY
\$7,000,000
GENERAL OBLIGATION SEWER BOND
SERIES 2011

The City of Lincoln City, located in Lincoln County in the State of Oregon (the "City"), for value received acknowledges itself indebted and hereby promises to pay to the order of Bank of America, N.A., the principal amount of Seven Million Dollars (\$7,000,000) on March 1, 2026, together with interest thereon at the rate of Four and Ten Hundredths percent (4.10%) per annum. Interest on the unpaid principal amount is payable on June 1, 2011, and quarterly thereafter until redemption or maturity and shall be calculated on a 30/360 day basis as provided in the Bond Purchase Agreement dated as of March 17, 2011 (the "Bond Purchase Agreement") between the City and the Bank. Capitalized terms used but not defined in this Bond have the meanings defined for such terms in the Bond Purchase Agreement.

The City hereby pledges its full faith and credit to pay the principal and interest due under this Bond, and covenants for the benefit of the Bank that the City shall levy annually, as provided by law, in addition to its other ad valorem property taxes and outside the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, a direct ad valorem tax upon all of the taxable property within the City in sufficient amount, after considering sewer system revenues that the City Council makes available to pay the Bond and expected discounts and delinquencies in the payment of those ad valorem taxes, to pay the Bond promptly as it matures.

This Bond has been executed pursuant to Resolution No. 2011-09 of the City, which was adopted on March 14, 2011 (the "Resolution"). The provisions of the Resolution and the Bond Purchase Agreement are incorporated herein by reference.

This Bond was authorized by the voters of the City on November 2, 2004 and is issued by the City to finance the projects described in Measure 21-99 from the November 2, 2004 election in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon.

The City may prepay this Bond only as provided in the Bond Purchase Agreement.

The City has designated this Bond as a qualified tax-exempt obligation under Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

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 the Charter of the City; and that this Bond does not violate any debt limitation prescribed by those laws.

IN WITNESS WHEREOF, the City of Lincoln City, Oregon has caused this Bond to be signed on its behalf by a duly authorized City Official as of the 17th day of March, 2011

City of Lincoln City, Oregon

By: 
Ron Tierney, Financial Planner

Lincoln City City Council
Council Chambers, City Hall

August 23, 2004
Page 1

CALL TO ORDER

Mayor Hollingsworth called the City Council meeting of August 23, 2004, to order at 7:00 p.m.

A. ROLL CALL

Council members present were: Ed Kuntz, Douglas Holbrook, Chester Noreikis, Wes Ryan, and Mayor Hollingsworth. Roger Sprague and Gary Ellingson had an excused absence.

City staff members present were: City Manager David Hawker, City Attorney Chris Thomas, Police Sgt. Mark Hopkins, Finance Director Ron Tierney, Planning & Community Development Director Richard Townsend, Public Works Director Lila Bradley, and City Recorder Oneita McCahman.

B. PLEDGE OF ALLEGIANCE

Mr. Ryan led the Pledge of Allegiance.

C. COMMENTS FROM CITIZENS PRESENT - AGENDA/NON-AGENDA ITEMS

Robert "Scotty" Scotton, 1814 NW 38th St., expressed a desire to have the council agenda on the City's web page; thought the City should have a policy on English Ivy growth and maintain city property and vacant lands; and very anxious to have the Community Center finished.

D. CONSENT AGENDA

1. Minutes: August 9, 2004
2. Proclamation: National Library Card Sign Up Month
3. Motion to first read Ordinances by title only

Mr. Ryan moved and Mr. Kuntz seconded to approve the consent agenda. Motion passed unanimously.

E. SPECIAL ORDER OF BUSINESS

1. Resolution Clarifying Resolution No. 2004-06 Regarding Establishment of a Homeless Shelter Under the Leadership of He's My Brother, Inc., DR 2004-23

Mr. Thomas gave a brief explanation of his recommendation to table this resolution pending the land use process.

Mr. Kuntz moved and Mr. Noreikis seconded to table DR #2004-23 to an unspecified time. Motion passed unanimously.

F. CITY MANAGER'S REPORT

1. Transportation Master Plan Update

Ms. Bradley gave a brief status report on the Transportation Master Plan. Still waiting on ODOT's traffic analysis. She suggested a couple of dates for Council workshop on this project.

It was the majority of Council to meet on October 18, 2004, from 4 to 6 p.m.

2. GIS Demonstration

City staff, Assistant Finance Director Mark Nicholson, Associate Planner Gary Leikness, and Engineering Tech Tony Barnett gave a power point presentation of the many valuable uses of a GIS system. Mr. Jim Clark and Ms. Shirley Seymour, GeoSolve, consultants were present to answer any questions.

3. City Manager Updates: None

G. DEPARTMENT/COMMITTEE REPORT - None

Lincoln City City Council
Council Chambers, City Hall

August 23, 2004
Page 2

H. PUBLIC HEARING

A Public Hearing to receive citizens comments on a proposed Supplemental Budget

Mayor Hollingsworth opened the Public Hearing at 8:10 p.m.

Mr. Tierney gave a brief staff report and the need for this supplemental budget.

There being no one requesting to speak, Mr. Ryan moved and Mr. Holbrook seconded to close the Public Hearing at 8:13 p.m. Motion passed unanimously.

I. ORDINANCES FOR ADOPTION - NONE

J. RESOLUTIONS FOR APPROVAL

1. A Resolution Submitting to the Voters at the November 2, 2004 General Election a Ballot Measure Authorizing the City to Issue Up to \$22 Million in General Obligation Bonds for Capital Improvements to the Sanitary Sewage Treatment Plant and Collection System, Draft Resolution 2004-25

2. A Resolution Adopting the Supplemental Budget of the City of Lincoln City, Oregon For the Fiscal Year 2004-05 as Approved by the City Council, and Making Appropriations, Draft Resolution 2004-27

Mr. Ryan moved and Mr. Noreikis seconded to approve Draft Resolution 2004-27.

A roll call vote was taken and is as follows: Mr. Noreikis-yes; Mr. Ryan-yes; Mr. Holbrook-yes; Mr. Kuntz-yes; and Mayor Hollingsworth-yes. Motion passed unanimously.

Mr. Kuntz moved and Mr. Ryan seconded to approve Draft Resolution No. 2004-25.


A roll call vote was taken and is as follows: Mr. Ryan-yes; Mr. Holbrook-yes; Mr. Kuntz-yes; Mr. Noreikis-yes; and Mayor Hollingsworth-yes. Motion passed unanimously.

K. ADDITIONAL COMMENTS FROM CITIZENS PRESENT - None

L. ANNOUNCEMENTS OR COMMENTS BY CITY COUNCIL - None

K. ADJOURNMENT

There being no further business, Mayor Hollingsworth adjourned the meeting at 8:18 p.m.


Lori Hollingsworth, Mayor

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RESOLUTION NO. 2004 - 27

A RESOLUTION SUBMITTING TO THE VOTERS AT THE NOVEMBER 2, 2004 GENERAL ELECTION A BALLOT MEASURE AUTHORIZING THE CITY TO ISSUE UP TO \$22 MILLION IN GENERAL OBLIGATION BONDS FOR CAPITAL IMPROVEMENTS TO THE SANITARY SEWAGE TREATMENT PLANT AND COLLECTION SYSTEM

WHEREAS, the City's sanitary sewage treatment plant is 20 years old; and

WHEREAS, the aeration basins at the treatment plant are leaking sewage into the ground and ground water; and

WHEREAS, the City is experiencing sanitary sewage overflows at some of its pumping stations during high rainfall events because the pumps do not have enough capacity; and

WHEREAS, the City is experiencing infiltration and inflow problems in some areas of the sanitary sewage collection system due to the characteristics and age of the system, high ground water, and the high levels of rainfall during the winter season; and

WHEREAS, in order to protect the environment from pollution, to meet requirements imposed by the Oregon Department of Environmental Quality under Federal and State laws and regulations that the DEQ administers, and to provide sufficient capacity to serve future growth, the City must:

1. Upgrade the aeration basins to eliminate leakage,
2. Upgrade pumping stations to eliminate overflows,
3. Reduce infiltration and inflow to increase system capacity,
4. Increase the treatment plant's capacity to serve future growth, and
5. Otherwise expand and improve the sewer system's facilities; and

WHEREAS, to accomplish these objectives, the City Council on July 12, 2004 adopted the 2004 Wastewater Facilities Plan for the City's sanitary sewer facilities, updating and replacing the June 1995 Wastewater Master Plan; and

WHEREAS, the 2004 Wastewater Facilities Plan calls for approximately \$22 million in capital improvements to the sanitary sewer system to be completed by the 2009-2010 fiscal year;

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and

WHEREAS, the City Council has determined that the most cost effective way to finance the needed capital improvements, for the City's sanitary sewer ratepayers and taxpayers, will be for the City to raise the needed funds by issuing general obligation bonds; and

WHEREAS, the approval of the City's voters is required for the issuance of general obligation bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LINCOLN CITY, AS FOLLOWS:

Section 1. There shall be submitted to the electors of the City a bond measure with the Ballot Title attached hereto as Exhibit A, containing the question whether the City shall issue up to \$22 million of general obligation bonds for expansion and improvement of the City's sanitary sewage treatment plant and collection system, which measure shall be placed on the ballot for the general election to be held on November 2, 2004.

Section 2. The explanatory statement to be published in the Lincoln County Voters Pamphlet, as required by ORS 251.345, shall be the Explanatory Statement attached hereto as Exhibit B.

Section 3. The City Manager and City Recorder are authorized and directed to cause this Resolution and the Ballot Title and Explanatory Statement to be submitted to the Lincoln County Elections Officer in a timely manner as required by law, for inclusion on the November 2, 2004 general election ballot and in the Lincoln County Voters Pamphlet; and to perform all other acts that are required or convenient to submit this measure to the electorate.

Section 4. This resolution shall be effective as of the date of its adoption by the City Council.

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PASSED AND ADOPTED by the City Council of the City of Lincoln City this 23rd day
of August, 2004.

Lori Hollingsworth
LORI HOLLINGSWORTH, MAYOR

ATTEST:
Oneita McCalman
ONEITA MCCALMAN, CITY RECORDER

EXHIBIT A

BALLOT TITLE

CAPTION: Bonds to improve and expand Lincoln City's sanitary sewer system

QUESTION: To improve and expand sewage treatment plant and collection system, shall Lincoln City issue \$22 million in general obligation bonds? If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.

SUMMARY: To protect the environment, meet Federal and State requirements, and have sufficient capacity, the City must:

Upgrade the 20-year old sewage treatment plant;

Upgrade the plant's aeration basins to stop sewage leaks;

Upgrade the system's pump stations to eliminate sewage overflows;

Make other improvements.

The estimated cost is \$22 million.

This measure approves up to \$22 million in general obligation bonds to pay for design and construction of these improvements and related studies and planning. Covered projects are listed in the 2004 Wastewater Facilities Plan, which may be revised periodically. The bonds will mature in up to 30 years. The average estimated bond cost, if only property taxes are used to pay off the bonds, is \$1.75 per \$1,000 of assessed value per year, based on a 25-year term. However, the City plans to use other funds to help pay the bonds, such as money received from developers and sewer ratepayers. The actual property tax cost for the bonds therefore should be less, averaging 85 cents per \$1,000 of assessed value per year.

EXHIBIT B

VOTERS PAMPHLET EXPLANATION

This measure asks voters to authorize Lincoln City to issue \$22 million of general obligation bonds to finance improvement and expansion of the sewage treatment plant and collection system.

Sewer System Needs. To protect the environment from pollution by sewage, to meet Federal and State requirements enforced by the Oregon Department of Environmental Quality, and so that the sewer system will have sufficient capacity, the City needs to expand and improve the sewer system.

For example, the City's sewage treatment plant is 20 years old:

- The aeration basins leak. The City must upgrade the basins to stop the leaks.
- The plant does not have enough capacity to treat sewage from expected growth. The City needs to expand the plant.

The City also needs to improve the sewage collection system. For example:

- Some of the system's pump stations do not have enough pumping capacity. Because of this, there sometimes are sewage overflows during rainstorms. The City needs to increase the pump capacity.
- The collection system's capacity is reduced because of excessive "inflow" and "infiltration." "Inflow" occurs during rainstorms when water flows into the collection system, such as through manholes. "Infiltration" occurs when water already in the ground leaks into the sewer pipes. Although some inflow and infiltration is unavoidable, the City needs to reduce excessive inflow and infiltration, so that as much as possible of the sewer system's capacity is used to collect and treat sewage, rather than rainwater and groundwater.

The City's 2004 Wastewater Facilities Plan identifies these and other problems and lists sewer system expansion and improvement projects the City needs to design and construct, as well as studies and further planning the City needs to do, by 2010. The City may modify the list occasionally, as it gains further information. The 2004 Plan estimates that the cost to design and construct the projects and do the studies and planning will be about \$22 million.

Financing Plan for Sewer System Expansion and Improvement – The Bonds. This measure proposes that the City borrow up to the needed \$22 million by issuing general obligation bonds, with a term up to 30 years.

Lincoln City intends to use three sources of money for the payments required to pay off

the bonds:

- Sewer system development charges paid by property developers;
- A portion of payments the City receives from sewer system customers when they pay their sewer bills; and
- Property taxes.

If the City were to use only property taxes to make the bond payments, which this measure authorizes, the City could increase property taxes an estimated average of \$1.75 per \$1,000 of assessed value annually during the term of the bonds. This estimate assumes a 25-year term. However, since the City intends to use system development charges and sewer system customer revenues for a portion of the payments, the City believes the actual property tax cost for the bonds should be only an estimated average of 85 cents per \$1,000 of assessed value each year.

19047
Lincoln City, City of

PO 2121

AFFIDAVIT OF PUBLICATION
News-Times, Newport, Oregon

NOTICE OF RECEIPT OF BALLOT TITLE
Notice hereby is given that the bonds will mature in up to 30 years. The average estimated bond cost is only property taxes received from the City Council are used to pay off the bonds, is \$1.75 per \$1,000 of assessed value per year based on a 25-year term. However, the City plans to use other funds to help pay the bonds, such as money received from developers and sewer rates payers. The actual property tax cost for the bonds therefore should be less, averaging 85 cents per \$1,000 of assessed value per year. Any elector of Lincoln City who is dissatisfied with the above ballot title may file a petition seeking a different ballot title not later than September 1, 2004. The petition must be filed in the Lincoln County Circuit Court and must state the reasons the above ballot title is insufficient, not concise, or unfair. The petition must name the City Council as respondent. An elector filing a petition also must notify the City Elections Officer in writing that the petition has been filed. The notice must be given not later than 5 p.m. on the next business day following the day the petition is filed.
Any person wishing to review the proposed bond measure to the voters may obtain a copy of the text from the Office of the City Manager at City Hall, Third Floor, 801 SW Highway 101, Lincoln City, OR 97367. Telephone (541) 995-2152. This measure may be revised periodically.

LINCOLN
REGON
SS.

Monique Renne, being duly sworn, depose and say that I am an authorized employee of News-Times, Newport, Oregon, a newspaper of general circulation published in the aforesaid county as defined in ORS 193.010 and that NOTICE OF RECEIPT OF BALLOT TITLE: Lincoln City, Bonds to Improve and Expand Lincoln City's Sanitary Sewer System, printed copy of which is hereto annexed, was in the entire issue(s) of said newspaper for 1 week(s) in the following issue(s): August 25, 2004.

Monique Renne
sworn to before me this 25th day of August, 2004.

Teyre Crowell
Notary Public of Oregon
(My commission expires October 16, 2005)



AFFIDAVIT OF PUBLICATION
News-Times, Newport, Oregon

COUNTY OF LINCOLN
STATE OF OREGON
SS.

I, Monique Renne, being duly sworn, depose and say that I am an authorized employee of News-Times, Newport, Oregon, a newspaper of general circulation printed and published in the aforesaid county as defined in ORS 193.010 and 193.020, and that NOTICE OF RECEIPT OF BALLOT TITLE: Lincoln City, Bonds to Improve and Expand Lincoln City's Sanitary Sewer System, printed copy of which is hereto annexed, was in the entire issue(s) of said newspaper for 1 week(s) in the following issue(s): August 25, 2004.

Monique Renne
Subscribed and sworn to before me this 25th day of August, 2004.

Teyre Crowell
Teyre Crowell, Notary Public of Oregon
(My commission expires October 16, 2005)



EXHIBIT A

BALLOT TITLE

Measure No. 21-99

CAPTION: Bonds to improve and expand Lincoln City's sanitary sewer system

QUESTION: To improve and expand sewage treatment plant and collection system, shall Lincoln City issue \$22 million in general obligation bonds? If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.

SUMMARY: To protect the environment, meet Federal and State requirements, and have sufficient capacity, the City must:

Upgrade the 20-year old sewage treatment plant;

Upgrade the plant's aeration basins to stop sewage leaks;

Upgrade the system's pump stations to eliminate sewage overflows;

Make other improvements.

The estimated cost is \$22 million.

This measure approves up to \$22 million in general obligation bonds to pay for design and construction of these improvements and related studies and planning. Covered projects are listed in the 2004 Wastewater Facilities Plan, which may be revised periodically. The bonds will mature in up to 30 years. The average estimated bond cost, if only property taxes are used to pay off the bonds, is \$1.75 per \$1,000 of assessed value per year, based on a 25-year term. However, the City plans to use other funds to help pay the bonds, such as money received from developers and sewer ratepayers. The actual property tax cost for the bonds therefore should be less, averaging 85 cents per \$1,000 of assessed value per year.

FILED

AUG 25 2004

AT 4:30 o'clock P M
DANA W. JENKINS, COUNTY CLERK

Official Lincoln County 2004 General Election Sample Ballot

OFFICIAL GENERAL ELECTION BALLOT
LINCOLN COUNTY, OREGON • NOVEMBER 2, 2004

Lincoln County Library District**21-97 Local Option Tax for Library Funding**

Question: Shall Lincoln County Library District levy 9¢ per \$1000 assessed value for five years, beginning 2005-2009, to fund your library?

Summary: Approval of this measure will provide funding for libraries in Lincoln City, Newport, Siletz, Toledo and Waldport.

It is estimated that this measure would raise approximately \$241,885 in tax revenues for 2005-2006, \$247,932 in tax revenues for 2006-2007, \$254,130 in tax revenues for 2007-2008, \$260,483 in tax revenues for 2008-2009, and \$266,886 in tax revenues for 2009-2010.

City of Depoe Bay**21-100 Local Option Tax Levy**

Question: Shall the City be authorized to levy a local option tax of 35¢/\$1,000 valuation for five years commencing in 2005-2009?

This measure may cause property taxes to increase more than three percent.

Summary: This measure authorizes the City to levy a property tax at a rate of 35¢ per thousand dollars assessed valuation each year commencing the fiscal year beginning July 1, 2005 for five consecutive years. The City estimates that this measure would raise approximately \$97,878 in tax revenues in 2005-2006, \$102,662 in 2006-2007, \$107,687 in 2007-2008, \$113,072 in 2008-2009 and \$118,725 in 2009-2010.

The taxes would be used, in conjunction with dedicated transient room tax revenues, to finance the City Public Safety and Law Enforcement Program including a contract with the Lincoln County Sheriff's Department for the services of one deputy sheriff, an office with furnishings and office equipment, administrative support and to pay related costs.

City of Lincoln City**21-99 Bonds to Improve and Expand Lincoln City's Sanitary Sewer System**

Question: To improve and expand sewage treatment plant and collection system, shall Lincoln City issue \$22 million in general obligation bonds? If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.

Summary: To protect the environment, meet Federal and State requirements, and have sufficient capacity, the City must:

- Upgrade the 20-year old sewage treatment plant;
- Upgrade the plant's aeration basins to stop sewage leaks;
- Upgrade the system's pump stations to eliminate sewage overflows;
- Make other improvements.

The estimated cost is \$22 million.

This measure approves up to \$22 million in general obligation bonds to pay for design and construction of these improvements and related studies and planning. Covered projects are listed in the 2004 Wastewater Facilities Plan, which may be revised periodically. The bonds will mature in up to 30 years. The average estimated bond cost, if only property taxes are used to pay off the bonds, is \$1.75 per \$1,000 of assessed value per year, based on a 25-year term. However, the City plans to use other funds to help pay the bonds, such as money received from developers and sewer ratepayers. The actual property tax cost for the bonds therefore should be less, averaging 85 cents per \$1,000 of assessed value per year.

City of Toledo**21-101 City of Toledo General Obligation Bonds for Fire Station**

Question: Shall the City of Toledo issue \$2.1 million of general obligation bonds to provide a new fire station? If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.

Summary: The present fire hall was constructed in 1878; it has developed severe structural problems. There is a slide area that affects the fire station site and has caused structural damage to the building. At least three geotechnical engineers have investigated the site in the past ten years without a definitive, cost-effective solution. The last investigation, completed in 2000, recommended that for safety reasons the building no longer be occupied. The City Council is submitting this measure to the voters to allow the city to build and equip a new fire station on a different site.

A City Council subcommittee, staff and architects have worked to propose a new structure which is approximately the same size as the existing facility. The architect's cost estimate is \$2,100,000.

You are being asked to approve a general obligation bond to pay for the new fire station. The bond cost at today's rates is estimated for a property assessed at \$100,000 to be about \$60 per year for twenty years.

City of Yachats**21-98 Approval of City of Yachats City Charter**

Question: Shall the voters of the City of Yachats approve a revised city charter?

Summary: The current Yachats Charter has become outdated since the incorporation of the City of Yachats in 1867, and therefore the City Council of Yachats desires to update the city charter for the city. A charter review committee reviewed the existing charter and has recommended submitting to the voters a revised charter. The committee agreed that the proposed revision of the charter should be based on the League of Oregon Cities' Model Charter for Oregon cities. This is an updated version of previous models with footnotes and appendices to back up and give analysis of various sections. In this revised edition certain topics have been eliminated because the state has preempted the City's authority. In addition, the language has been made gender neutral. However the committee made some amendments, additions or deletions to the model language to reflect provisions in the existing Yachats Charter in either the same wording or as modified by the committee. This new charter, if adopted by the voters at this November General Election, will go into effect on February 1, 2005.

Dana W. Jenkins
LINCOLN COUNTY CLERK
225 W. Olive Street-Room 201
Newport, Oregon 97365

County of Lincoln
"Customer Service is #1"
www.co.lincoln.or.us/clerk/
(541) 265-4131

AFFIDAVIT

This affidavit verifies the mailing of a ballot to each elector in Lincoln County for the November 2, 2004 General Election.

A total of 26,440 ballots were delivered to the U.S. Post Office in Newport, Oregon on October 15, 2004. A total of 723 absentees were issued before that date. A total of 1,312 ballots were issued after that date. Total ballots issued: 28,475.

Witness my hand and seal this 2nd day of November, 2004.



Dana W. Jenkins
LINCOLN COUNTY CLERK

(SEAL)

Lincoln City City Council
Council Chambers, City Hall

November 22, 2004
Page 1

1 CALL TO ORDER

2
3 Mayor Hollingsworth called the City Council meeting of November 22, 2004, to order at 7:00 p.m.

4
5 A. ROLL CALL

6
7 Council members present were: Gary Ellingson, Ed Kuntz, Douglas Holbrook, Chester Noreikis,
8 Wes Ryan, Roger Sprague and Mayor Hollingsworth.

9
10 City staff members present were: City Manager David Hawker, City Attorney Chris Thomas,
11 Planning & Community Development Director Richard Townsend, Police Sgt. McBane, Parks &
12 Recreation Director Ron Ploger, Community Center Manager Larry Fowler, Recreation Programs
13 Manager Patty Lyon, Fitness Coordinator Donna Ross, and City Recorder Oneita McCalman.

14
15 B. PLEDGE OF ALLEGIANCE

16
17 Mr. Ryan led the Pledge of Allegiance.

18
19 C. COMMENTS FROM CITIZENS PRESENT - AGENDA/NON-AGENDA ITBMS - None

20
21 D. CONSENT AGENDA

- 22 1. Minutes: November 8, 2004
- 23 2. Certificates of Appreciation: Larry Fowler, 20 years & Patty Lyon, 7 years

24
25 Mayor Hollingsworth requested the Certificates of Appreciation be removed from the Consent
26 Agenda.

27
28 Mr. Ryan moved and Mr. Sprague seconded to approve the Consent Agenda as amended.
29 Motion passed unanimously.

30
31 Mayor Hollingsworth then presented a Certificate of Appreciation to Larry Fowler for his 20-years of
32 employment, as well mentioning he had been with the City actually for 24 years.

33
34 She then presented a Certificate of Appreciation to Patty Lyon for her 7 years of employment with
35 the City, who is moving away from Lincoln City.

36
37 V. SPECIAL ORDER OF BUSINESS

- 38 1. Open Space Property Purchase

39
40 Mr. Ploger gave a brief explanation of an offer to sell a .24 acre of property to the City and the Open
41 Space Committee approve the purchase for the sum of \$2,500.

42
43 Mr. Sprague moved and Mr. Ryan seconded to approve the purchase of Assessor's Map 7-11-
44 27A, Tax Lot 301, a .24 acre of property for open space purposes in the amount not to exceed
45 \$2,500.

46
47 A roll call vote was taken and is as follows: Mr. Holbrook-yes; Mr. Kuntz-yes; Mr. Noreikis-
48 yes; Mr. Ryan-yes; Mr. Sprague-yes; Mr. Ellingson-yes; and Mayor Hollingsworth-yes.
49 Motion passed unanimously.

- 50
51 2. Hardship Request for Water Service Connection

52
53 Mr. Hawker presented a request for a hardship water service connection outside the City's urban
54 growth boundary.

55
56 Mr. Sprague moved and Mr. Kuntz seconded to approve a water tap connection to the Ron
57 Cook property which is outside the City's urban growth boundary on a hardship basis.
58 Motion passed unanimously.

59

Lincoln City City Council
Council Chambers, City Hall

November 22, 2004
Page 2

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3. Stairs at SW 35th and SW Anchor - Power Point Presentation

Mr. Ploger presented, in addition to a power point presentation, a report from the Building Inspector regarding the condition of the stairs at SW 35th Street and SW Anchor. Staff has temporarily closed the stairs and recommends that they remain closed until such time as they can be replaced.

Following discussion, it was the consensus of council to approve staff's action.

F. CITY MANAGER'S REPORT

1. Lincoln Mentors

Mr. Hawker explained the Lincoln County Children's Advocacy Center mentor programs and expressed a great need for mentors.

2. Measure 37 Discussion

Mr. Thomas presented information on Measure 37 from the League of Oregon Cities and an overview prepared by Glenn Klein of the law firm of Harrang Long Gary Rudnick P.C.

Considerable discussion followed on what kind of an approach is to be taken and what process should be adopted. It was pretty much the consensus of Council to treat claims on a case-by-case basis as whether to pay or waive policy decision. Mr. Thomas will draft an ordinance for Council's discussion and consideration.

Mayor Hollingsworth recessed the meeting at 8:30 p.m. and reconvened at 8:45 p.m.

3. Open Space Up-Date - Power Point Presentation

Mr. Ploger gave a brief Power Point presentation of the City's open space program.

4. Recreation Program Update

Ms. Donna Ross presented information on the newly formed Lincoln City's Lifestyle Center.

5. After School Program Update - Power Point Presentation

Mr. Ivan Magnam, Youth Program Supervisor, also gave a power point presentation on the City's After School Program.

6. City Recorder Position

Mr. Hawker presented three alternatives to the replacement of the soon to retire City Recorder which position is currently a half-time position.

Mr. Kuntz moved and Mr. Sprague seconded to make the position a full-time position and phase out the half-time administrative assistant position when a budget crunch makes it necessary. Motion passed unanimously.

7. Community Center completion and operation update

Mr. Ploger stated that a soft-opening of the Community Center remodel is scheduled for December 2nd with the grand opening of the Community Center and gym scheduled in February 2005.

8. City Manager Updates: Mr. Hawker mentioned that there is considerable amount of logging happening on Schooner Creek.

G. DEPARTMENT/COMMITTEE REPORT - NONE

H. RESOLUTIONS FOR APPROVAL

Lincoln City City Council
Council Chambers, City Hall

November 22, 2004
Page 3

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1. A Resolution Declaring the Official Results of the Canvass of Votes of the General Election Held in the City of Lincoln City, Oregon on November 2, 2004, Draft Resolution #2004-35

Mr. Ryan moved and Mr. Noreikis seconded to approve Draft Resolution #2004-35. Motion passed unanimously.

I. ADDITIONAL COMMENTS FROM CITIZENS PRESENT - None

J. ANNOUNCEMENTS OR COMMENTS BY CITY COUNCIL

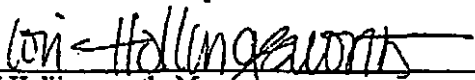
Mr. Ryan mentioned the number of police officers that are out due to illness.

Mr. Kuntz commented on the Governor's Economic Revitalization Team has selected Taft to be included on their WEB page.

Mayor Hollingsworth mentioned the once-a-week meeting with the City Manager on Monday's at 2 p.m. and asked if other council members would prefer a different time on Monday and join with her to meet with the City Manager. She also mentioned that she has 50 CD's in her office on the Meth Summit and was seeking assistance in delivering some of them to the motels/hotels.

L. ADJOURNMENT

Mayor Hollingsworth reconvened the meeting and as there being no further business, Mayor Hollingsworth adjourned the meeting at 9:45 p.m.


Lori Hollingsworth, Mayor

Draft Resolution 2004-35

RESOLUTION NO.2004 - 35

A RESOLUTION DECLARING THE OFFICIAL RESULTS OF THE CANVASS OF VOTES OF THE GENERAL ELECTION HELD IN THE CITY OF LINCOLN CITY, OREGON ON NOVEMBER 2, 2004

WHEREAS, on the 2nd day of November 2004, the City of Lincoln City, Oregon held its General election and the voters voted for one councilor each from Ward I, Ward II, and Ward III to serve from January 1, 2005 through December 31, 2008; and

WHEREAS, at said General election, the following candidates for city office received the majority of votes cast for all candidates for that office:

- Rick Brissette Ward I
- Douglas Holbrook Ward II
- Edward Kuntz Ward III;

and

WHEREAS, at said election a City measure was on the ballot to approve or reject a proposal to approve up to \$22 million in general obligation bonds to improve and expand the sewage treatment plant and collection system and to pay for design and construction of these improvements and related studies and planning; and

WHEREAS, the City Council canvassed the official vote as set forth in the State of Oregon abstract of votes prepared and certified by the Office of the County Clerk, Lincoln County;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LINCOLN CITY, AS FOLLOWS:

Section 1. The State of Oregon Abstract of votes is attached hereto marked Exhibit "A" and is by this reference incorporated herein as though fully set forth in this Resolution. The Abstract of Votes contains the total number of votes cast for the persons elected to office and the total number of votes for each measure.

Section 2. The City Council hereby declares the official results of the election to be as set forth in Exhibit "A", the Abstract of Votes incorporated herein, and the following persons are elected to the offices set forth below:

- Rick Brissette Ward I
- Douglas Holbrook Ward II
- Edward Kuntz Ward III

1 Section 3. The City Council hereby declares that the City measure, proposing the issuance of up
2 to \$22 million in general obligation bonds to improve and expand the sewage treatment plant and
3 collection system and to pay for design and construction of these improvements and related studies and
4 planning, was approved by the voters.

5 Section 4. The results of the general election held on November 2, 2004, as set forth in this
6 Resolution and the attached Abstract of Votes, are declared the official record for the journal of the
7 proceedings of the City Council; and the City Recorder is directed to include a copy of this resolution as
8 a part of the minutes of the November 22, 2004, meeting of the City Council of the City of Lincoln City.

9 PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF LINCOLN CITY
10 this 22nd day of November, 2004.

11 
12 LORI HOLLINGSWORTH, MAYOR

13 ATTEST:

14 
15 ONEITA McCALMAN, CITY RECORDER

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MEMORANDUM

DATE : **March 16, 2011**

TO : **Margo Sharp, Senior Paralegal**
 K&L Gates LLP

FROM: **Cathy Steere, CMC**
 City Recorder

RE : **Resolution No. 2011-09**

A City Council meeting was held at 7:00 pm on Monday, March 14, 2011, in Council Chambers, 801 S. Hwy 101, Lincoln City, OR.

Present were Mayor Dick Anderson, and Councilors Chester Noreikis, Henry Quandt and Gordon Eggleton.

Resolution No. 2011-09 was brought forward for consideration. A motion was made by Councilor Noreikis and seconded by Councilor Henry Quandt to approve Resolution No. 2011-09, A Resolution Of The City Of Lincoln City, Lincoln County, Oregon Authorizing The Sale Of The City's General Obligation Sewer Bonds. Motion carried unanimously 4-0 by a "roll" call vote.

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RESOLUTION 2011-09

**A RESOLUTION OF THE CITY OF LINCOLN CITY, LINCOLN COUNTY,
OREGON AUTHORIZING THE SALE OF THE CITY'S GENERAL OBLIGATION
SEWER BONDS.**

WHEREAS, the voters of the City of Lincoln City (the "City") authorized the City to issue \$22,000,000 of general obligation bonds at the general election held on November 2, 2004, to finance the improvement and expansion of the City's sewage treatment plant and collection system, as described in the ballot title for Measure No. 21-99 (the "Measure"), herein referred to as the "Project"; and,

WHEREAS, on April 12, 2005 the City issued \$15,000,000 of the general obligation bonds that were authorized at that election and \$7,000,000 of authority remains under the authority of the Measure; and,

WHEREAS, it is now desirable to issue the remaining portion of the general obligation bonds that were authorized in the Measure.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lincoln City, Oregon, as follows:

Section 1. Bonds authorized. The City Council of the City hereby authorizes the issuance, sale and delivery of one or more series of general obligation sewer bonds (the "Bonds") to finance the Project as described in the Measure, and to pay costs of issuing the Bonds. The principal amount of the Bonds shall not exceed \$7,000,000.

Section 2. Delegation.

The City Manager, the Financial Planner, the Finance Director, or the person designated by the City Manager (a "City Official") are each hereby authorized, on behalf of the City and without further action by the Council, to:

- (1) Issue the Bonds authorized by Section 1 of this Resolution in one or more series.
- (2) Establish the form, final principal amounts, maturity schedules, interest rates, sale prices and discount, prepayment terms, administrative provisions, and other terms of each series of Bonds.
- (3) Execute and deliver a bond declaration for each series of Bonds specifying the terms under which each series of Bonds are issued and making covenants for the benefit of owners of the Bonds.
- (4) For each series, select one or more commercial banks or other investors and negotiate the sale of the Bonds with those commercial banks or investors.
- (5) Determine whether each series of Bonds will bear interest that is excludable from gross income under the Internal Revenue Code of 1986, as amended (the "Code"), or is includable

1 in gross income under the Code. If a series bears interest that is excludable from gross income
2 under the Code, the City Official may enter into covenants to maintain the excludability of
interest on that series of the Bonds from gross income.

3 (6) Designate any series of Bonds as "qualified tax-exempt obligations" under Section
4 265(b)(3) of the Code, if applicable.

5 (7) Execute and deliver any agreements or certificates and take any other action in connection
6 with each series of Bonds which the City Official finds is desirable to permit the sale and
issuance of that series of Bonds in accordance with this Resolution.

7 **Section 3. Security for Bonds.** The Bonds shall be general obligations of the City. The City
8 hereby pledges its full faith and credit to pay the Bonds, and the City covenants for the benefit
9 of the Bondowners that the City shall levy annually, as provided by law, in addition to its other
10 ad valorem property taxes and outside the limitations of Sections 11 and 11b of Article IX of
11 the Oregon Constitution, a direct ad valorem tax upon all of the taxable property within the
City in sufficient amount, after considering sewer system revenues that the City Council
makes available to pay the Bonds and expected discounts and delinquencies in the payment of
those ad valorem taxes, to pay the Bonds promptly as they mature.

12 **Section 4. Effective Date.** This resolution shall take effect on its date of adoption.

13 Dated this 14th day of March 2011.

14 City of Lincoln City, Lincoln County, Oregon

15 
16 DICK ANDERSON, MAYOR

17 Attest:

18 
19 CATHY STEERE, CITY RECORDER

20

21

22

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26

GENERAL CERTIFICATE

\$7,000,000

**City of Lincoln City, Oregon
General Obligation Sewer Bond
Series 2011**

On behalf of the City of Lincoln City, Oregon (the "City"), I hereby certify as follows regarding the captioned bond (the "Bond"):

1. I, Ron Tierney, am the Financial Planner of the City and a "City Official" under City Resolution No. 2011-09 adopted by the City on March 14, 2011 (the "Bond Resolution"), and am authorized by the Bond Resolution to execute all documents on behalf of the City pertaining to the Bond. Pursuant to the Bond Resolution, I have taken appropriate action with respect to the Bond as outlined in Section 2 of the Bond Resolution, as applicable.

2. The Bond Resolution authorizes the issuance of the Bond under the authority granted by the voters of the City at an election held November 2, 2004, to finance the improvement and expansion of the City's sewage treatment plant and collection system, as described in the ballot title for Measure No. 21-99 (the "Measure"), and to pay the costs of issuing the Bond (the "Projects") in an aggregate principal amount of not more than \$7,000,000. The City has previously issued its General Obligation Sewer Bond, Series 2005 in the amount of \$15,000,000 under the authority of the Measure. The Bond is the second and final borrowing under the authority of the Measure.

3. Resolution No. 2004-27 adopted August 23, 2004 calling the election (the "Election Resolution") and the Bond Resolution were duly adopted by the City Council (the "Council") pursuant to the law and with all public notice required by law. The Bond Resolution and the Election Resolution remain in full force and effect and have not been modified or rescinded.

4. The Bond was sold pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") between the City and Bank of America, N.A. (the "Bank") dated as of this date. The Bond has been signed with my manual signature.

5. The City Council meets in regular session at least once each month. A quorum was present throughout each of the City Council meetings at which action was taken on matters concerning the Bond, and the Bond Resolution and Election Resolution were properly adopted by the City Council. The City Council has adopted policies to implement the provisions of ORS 192.640 regarding public meeting notice, and has complied with those policies for all City Council meetings at which action was taken on matters concerning the Bond.

6. The proceeds from the sale of the Bond will be used solely for the Projects which constitute "capital costs" as defined in Article XI, Section 11L of the Oregon Constitution.

7. The weighted average life of the Bond does not exceed the weighted average life of the Projects.

8. The Bond is issued under ORS 287A.050. Because the Projects are for “sanitary or sewage collection or treatment” the Bond is exempt by 287A.050(3) from the debt limit in ORS 287A.050(2).

9. The City hereby designates the Bond as a “qualified tax-exempt obligation” under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, because the City, and any subordinate and related entities have not and do not reasonably expect to issue more than \$10,000,000 of tax-exempt obligations (excluding certain private activity bonds and certain current refunding obligations) during the 2011 calendar year.

10. The Projects are in compliance with the applicable comprehensive plans and the statewide goals of the Land Conservation and Development Commission of the State of Oregon.

11. The City has and will comply with all applicable requirements of the Oregon Local Budget Law related to the Bond.

12. With respect to the Bond, the City has complied in all material respects with all agreements, and satisfied all other conditions on its part to be performed or satisfied at or prior to the delivery of the Bond to the Bank as of this date.

13. The City makes the following certifications pursuant to the Bond Purchase Agreement. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Bond Purchase Agreement.

i) There is no action, suit, proceeding or investigation at law or in equity before or by any court or government, city or body pending or, to the best of my knowledge, threatened against the City to restrain or enjoin the adoption of the Resolution or the execution and delivery of the Bond Purchase Agreement or the Bond, or the collection and application of funds as contemplated by the Bond Purchase Agreement or the Bond, which, in the reasonable judgment of the City, would have a material and adverse effect on the ability of the City to pay the amounts due under the Bond Purchase Agreement.

ii) The adoption of the Resolution and the execution and delivery of the Bond Purchase Agreement and the Bond do not and will not conflict in any material respect with or constitute on the part of the City a breach of or default under any law, charter provision, court decree, administrative regulation, resolution, ordinance or other agreement or instrument to which the City is a party or by which it is bound.

Dated as of the 17th day of March, 2011.

City of Lincoln City, Oregon

By: 
Ron Tierney, Financial Planner

TAX CERTIFICATE

\$7,000,000
City of Lincoln City, Oregon
General Obligation Sewer Bond
Series 2011

THIS TAX CERTIFICATE is executed by the City of Lincoln City, Oregon (the "City") as of March 17, 2011, to establish the facts and circumstances that are necessary to determine that its \$7,000,000 General Obligation Sewer Bond, Series 2011 (the "Bond") is not an "arbitrage bond" within the meaning of Section 148 of the Code and is not a "private activity bond" under Section 141 of the Code.

Section 1 of this Tax Certificate lists the principal facts and expectations that the City is certifying to be accurate, and that allow the conclusion that interest on the Bond is excludable from gross income under the Code.

Section 2 of this Tax Certificate lists the basic arbitrage restrictions that apply to the Bond.

Other sections of this Tax Certificate contain representations and statements of law that support the conclusion that interest on the Bond is excludable from gross income under Section 103(a) of the Code.

Capitalized terms that are used, but are not defined, in body of this Tax Certificate are defined in Section 11 of this Tax Certificate.

SECTION 1. Basic Facts and Expectations

1.1 General Representations about the City and the Bond:

- (A) I am the Financial Planner of the City, and I am charged with the responsibility for certifying the City's expectations regarding the amount and use of the Proceeds of the Bond.
- (B) Authorization. The Bond is being issued pursuant to Resolution No. 2011-09 adopted by the Council of the City on March 14, 2011.
- (C) Date of Issue. The City is issuing the Bond on the date of this Tax Certificate.
- (D) Purpose. The Bond is being issued to provide funds to (1) finance improvement and expansion of the City's sewage treatment plant and collection system (the "Capital Projects"); and (2) pay the costs of issuance of the Bond.
- (E) Issue Price. In preparing this Tax Certificate, the City has relied upon certain information provided by the Purchaser, Bank of America, N.A., in its Certificate Regarding No Reoffering dated the Date of Issue and executed in connection with the issuance of the Bond.

1.2 Funds and Accounts Created.

- (A) Debt Service Account. The City has established a debt service account (the “Debt Service Account”) that is to be used primarily to achieve a proper matching of revenues with principal and interest requirements on the Bond within each Bond Year.
- (B) No Other Accounts. The City has not created, and does not expect to create, any funds or accounts except the Debt Service Account to hold money to pay the Bond.

1.3 General Representations about the Capital Projects.

- (A) Timing of Expenditures. The City reasonably expects (i) to spend or enter into binding contracts to spend at least 5% of the Net Sale Proceeds of the Bond on capital expenditures by September 17, 2011; (ii) to allocate at least 85% of the Net Sale Proceeds of the Bond to capital expenditures by March 17, 2014; and (iii) that the completion of the Capital Projects and allocation of the Net Sale Proceeds of the Bond to capital expenditures will proceed with due diligence.
- (B) No Payments to Related Parties. The costs of the Capital Projects to be paid from proceeds of the Bond do not include payments to be made to Related Parties.
- (C) Weighted Average Life. The weighted average maturity of the Bond does not exceed 120% of the average reasonably expected economic life of the Capital Projects financed by the Bond.

SECTION 2. Basic Arbitrage Consequences

2.1 Arbitrage Yield. The yield on the Bond has been calculated to be **4.1229%** using the economic accrual method required by Section 1.148-4(a) of the Income Tax Regulations. The Bond is a fixed yield issue, and the Bond yield will not be affected by subsequent unexpected events.

2.2 Based on the Facts and Expectations Stated in Section 1.

(A) Limitations on Investments (Yield Restriction)

- (1) *Sale Proceeds of the Bond*. The City may invest the Sale Proceeds of the Bond, and the investment earnings thereon, without restriction until March 17, 2014 (three years after the Date of Issue).
- (2) *Amounts Deposited into the Debt Service Account*.
 - (a) To the extent that amounts deposited in the Debt Service Account qualify as a Bona Fide Debt Service Fund, the City may invest such amounts without restriction until the final maturity of the Bond.

(b) To the extent that amounts deposited in the Debt Service Account do not qualify as a Bona Fide Debt Service Fund, the City will invest such amounts at a yield that does not exceed the yield on the Bond unless the City consults with Bond Counsel to determine if and when such amounts are subject to yield restriction.

(3) *Minor Portion.* The City may invest a minor portion of the Proceeds of the Bond equal to the lesser of \$100,000 or 5% of the Sale Proceeds of the Bond at an unrestricted yield until the maturity of the Bond.

(B) Rebate

(1) *Sale Proceeds of the Bond.* The City may not be obligated to pay a rebate to the United States under Section 148 of the Code on the Sale Proceeds of the Bond if it meets the appropriate spending exception to rebate described below in Section 2.2(B)(2) and 2.2(B)(3). Which spending exception to rebate the City qualifies for depends on how much of the Available Construction Proceeds of the Bond is spent on Construction Expenditures.

(2) *Two-Year Spending Exception to Rebate.*

(a) If at least 75% of the Available Construction Proceeds of the Bond is spent on Construction Expenditures, the City will not be obligated to pay a rebate to the United States under Section 148 of the Code on the Available Construction Proceeds of the Bond if those Available Construction Proceeds are spent according to the following schedule:

- i. At least 10% by September 17, 2011 (six months after the Date of Issue);
- ii. At least 45% by March 17, 2012 (twelve months after the Date of Issue);
- iii. At least 75% by September 17, 2012 (eighteen months after the Date of Issue); and
- iv. One hundred percent by March 17, 2013 (two years after the Date of Issue).

(b) The City will not fail to meet the two-year spending exception for the Bond because the City fails to meet the spending requirement for the fourth spending period if the unspent amount is:

- i. Less than the lesser of 3 percent of the issue price of the Bond or \$250,000 and the City has exercised due diligence to complete the Capital Projects, or

- ii. A Reasonable Retainage amount and the Reasonable Retainage amount is allocated to expenditures by March 17, 2014 (three years after the Date of Issue).
 - (c) The City elects under Section 1.148-7(f)(2) of the Treasury Regulations to apply actual facts to determine if the two-year spending exception to rebate is met.
 - (d) *Sale Proceeds of the Bond Allocable to Costs of Issuance.* The City will not be obligated to pay rebate with respect to amounts earned from investments above the Bond yield on Sale Proceeds of the Bond used to pay costs of issuance if the City meets the spending rebate exception described in Section 2.2 (B)(2) and the Sale Proceeds of the Bond used to pay costs of issuance are expended by March 17, 2013.
- (3) *Eighteen-Month Spending Exception to Rebate.*
- (a) If less than 75% of the Available Construction Proceeds of the Bond is spent on Construction Expenditures, the City will not be obligated to pay a rebate on the Proceeds of the Bond if the Proceeds are spent according to the following schedule:
 - i. At least 15% by September 17, 2011 (six months after the Date of Issue);
 - ii. At least 60% by March 17, 2012 (twelve months after the Date of Issue); and
 - iii. One hundred percent by September 17, 2012 (eighteen months after the Date of Issue).
 - (b) The City will not fail to meet the eighteen-month spending exception for the Bond because the City fails to meet the spending requirement for the third spending period if the unspent amount is
 - i. Less than the lesser of 3 percent of the issue price of the Bond or \$250,000 and the City has exercised due diligence to complete the projects financed, or
 - ii. A Reasonable Retainage amount and the Reasonable Retainage amount is allocated to expenditures by September 17, 2013 (thirty months after the Date of Issue).
- (4) *Amounts Deposited into the Debt Service Account.* To the extent that amounts deposited in the Debt Service Account qualify as a Bona Fide Debt Service Fund, the City will not be obligated to pay rebate on the earnings from the investment of such amounts, because the Bond is

governmental bond with a fixed interest rate and the average maturity of the Bond exceeds five years.

SECTION 3. Arbitrage Rebate Computation Procedures

- 3.1 If the City does not meet the exceptions to rebate described in Section 2.2(B), the City will compute the Rebate Amount as of each Computation Date. The first Computation Date is March 17, 2016. The date that the Bond is discharged will be the final Computation Date and the final rebate installment payment must be made with respect to the final Computation Date.
- 3.2 For each Computation Date, except the final Computation Date, the City will make a rebate installment payment in an amount which is at least equal to 90% of the Rebate Amount for the Bond when added to the future value of all previous rebate payments made for the Bond.
- 3.3 For the final Computation Date the City will make a rebate installment payment in an amount that, when added to the future value of all previous rebate payments made for the Bond, equals 100% of the Rebate Amount for the Bond. Future value will be determined in compliance with the applicable provisions of the Code.
- 3.4 Each rebate installment payment shall be made within 60 days after its Computation Date to the Internal Revenue Service Center, Ogden, Utah 84201. Each rebate payment will be accompanied by IRS Form 8038-T.

SECTION 4. Sources and Uses of Proceeds

4.1 Sale Proceeds Received by the City

- (A) The Sale Proceeds actually or constructively received by the City from the sale of the Bond is as follows:

Sale Proceeds of Bond	\$7,000,000
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- (B) The Bond is dated as of the Date of Issue and the City will not receive any accrued interest on the Bond.

4.2 Uses of Sale Proceeds

The Sale Proceeds received by the City from the sale of the Bond will be allocated to the following uses in the following amounts:

Capital Projects	\$6,986,400
Other Costs of Issuance	8,600
Purchaser's Discount	<u>5,000</u>
Total Uses of Sale Proceeds	\$7,000,000

SECTION 5. General Representations

- 5.1 Single Issue. There are no other tax exempt obligations of the City that (a) have sale dates within 15 days of the sale date of the Bond, (b) are sold pursuant to the same plan of financing together with the Bond, and (c) are reasonably expected to be paid out of substantially the same source of funds as the Bond.
- 5.2 No Hedge. The City has not entered into, and does not expect to enter into in the future, a contract to modify the City's risk of interest rate changes with respect to a portion or all of the Bond, including an interest rate swap, an interest rate cap, a futures contract, a forward contract, or an option.
- 5.3 No Replacement Proceeds. No portion of the Proceeds of the Bond will be used as a substitute for other funds which will otherwise be used to acquire, directly or indirectly, securities, obligations, annuity contracts or other investment type property that are Materially Higher Yield Investments.
- 5.4 No Refunding. No proceeds of the Bond will be used to pay principal, interest, premium, or prepayment penalties due on any borrowing.
- 5.5 No Overissuance. The term of the Bond is not longer than is reasonably necessary for its purposes. The amount the City will receive from the sale of the Bond is not substantially in excess of the amounts necessary to accomplish the purposes for which the Bond is issued. The City does not reasonably expect to sell, encumber or otherwise dispose of any portion of the facilities financed or refinanced with the Bond during the term of the Bond.
- 5.6 Document Retention. The City will retain all records necessary to establish the uses and investment of the proceeds of the Bond until the date that is three years after the latest of the date of final maturity of the Bond, or the final maturity or redemption date of any obligation, or series of obligations, that refinances the Bond. Such records include, but are may not be limited to, the transcript for the Bond, including this Tax Certificate, the IRS Form 8038-G, all investment records applicable to the investment of the Bond proceeds before expenditure, all construction contracts and invoices detailing the costs paid from the proceeds of the Bond, any rebate calculations or Forms 8038-T filed with respect to the Bond, and all contracts related to use of the Capital Projects being financed with proceeds of the Bond, including leases, management contracts, and services contracts that relate to the use of such facilities.

SECTION 6. Reimbursement Bond

- 6.1 Proceeds of the Bond will be applied to reimburse the City for expenditures paid prior to the Date of Issue only if the expenditures are described in paragraphs (A), (B), (C) or (D) below:
- (A) Preliminary Expenditures. Preliminary expenditures such as architectural, engineering, surveying, soil testing, bond issuance costs and similar costs that, in the aggregate, are not in excess of 20% of the Sale Proceeds of the Bond. The

costs of land acquisition, site preparation and similar costs incident to commencement of construction are not preliminary expenditures.

- (B) De Minimis Expenditures. Expenditures for issuance costs and for an amount not in excess of the lesser of \$100,000 or 5% of the Proceeds of the Bond.
- (C) Reimbursement Resolution. Expenditures that are described in a reimbursement resolution or other declaration of official intent that satisfy the requirements of Section 1.150-2 of the Income Tax Regulations and are paid no earlier than 60 days prior to the adoption by the City of such resolution or declaration of official intent can be reimbursed with the Proceeds of the Bond if the Date of Issue is no later than 18 months after the later of (i) the date on which the expenditure was paid or (ii) the date on which the property financed in whole or in part by the expenditure was placed in service. Expenditures do not qualify for reimbursement under this paragraph (c) if the period of time between the date on which an expenditure is made and the Date of Issue exceeds three years.
- (D) Recent Expenditures. Expenditures that are paid within 60 days prior to the Date of Issue.

SECTION 7. Federal Guarantee Prohibition

7.1 The Bond is not “federally guaranteed” and the City will not cause or allow the Bond to become “federally guaranteed.” Unless otherwise excepted under Section 149(b) of the Code, the Bond will be considered “federally guaranteed” if:

- (A) The payment of principal and interest with respect to the Bond is guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof);
- (B) Five percent or more of the Proceeds of the Bond is
 - (1) To be used in making loans, the payment of principal or interest with respect to which are to be guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof); or
 - (2) To be invested (directly or indirectly) in federally insured deposits or accounts; or,
- (C) The payment of principal of or interest on the Bond is otherwise indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof).

SECTION 8. Hedge Bond Representation

The Bond is not “hedge Bond,” as defined in Section 149(g) of the Code, because the City reasonably expects to spend at least 85% of the Net Sale Proceeds of the Bond within three years from the Date of Issue and will not invest more than 50% of the Proceeds of the Bond in nonpurpose investments having a substantially guaranteed yield for four years or more.

SECTION 9. Private Use Limitation

9.1 The Bond is not private activity bond, and therefore, is subject to restrictions on the use by Private Persons of the Capital Projects financed by the Bond.

(A) General Private Use Limitation

- (1) Private Use Test. Not more than 10% of the proceeds of the Bond will be used, directly or indirectly, in a Private Use.
- (2) Private Payment Test. Not more than 10% of the principal or interest payments on the Bond will be, directly or indirectly,
 - (a) Secured by any interest in property used or to be used for any Private Use,
 - (b) Secured by payments in respect of property used or to be used for any Private Use, or
 - (c) Derived from payments with respect to property, or borrowed money, used or to be used for any Private Use.

(B) Private Loan Financing Test

- (1) None of the proceeds of the Bond will be used, directly or indirectly, to make or finance loans.

(C) Unrelated Use Limitation

- (1) The amount of Private Use that is unrelated or disproportionate to the governmental purposes of the Bond will not exceed 5% of the proceeds of the Bond.
- (2) A facility is generally considered to be used for a related Private Use if it must be located within, or adjacent to, the governmentally used facility. Use of a facility by a Private Person for the same purpose as use by a governmental person is treated as a related use if the governmental use is significant. Similarly, a use of a facility in the same manner both for Private Use that is related use and Private Use that is unrelated use does not result in unrelated use if the related use is significant.
- (3) A Private Use is disproportionate to a related government use only to the extent that the amount of proceeds used for that Private Use exceeds the amount of proceeds used for the related government use.

9.2 Change in Use.

- (A) While the City does not expect that any of the property financed with the proceeds of the Bond will be used in a manner that could cause the Bond to become private activity Bond, in the event that circumstances change and a use is made of the property that could result in the Bond becoming private activity Bond, the City will consult with its Bond Counsel and will take any remedial actions required by Section 1.141-12 of the Income Tax Regulations.
- (B) The Bond is subject to redemption prior to maturity, and the first optional redemption date of the Bond is not more than 10½ years after the Date of Issue. Accordingly, the City will be eligible to use the defeasance remedial action described in Section 1.141-12(d) of the Income Tax Regulations.

SECTION 10. Bank Qualification

The City hereby designates the Bond as a “qualified tax-exempt obligation” pursuant to Section 265(b)(3)(B) of the Code because the City reasonably expects that the amount of tax-exempt obligations to be issued by the City (and any subordinate entities to the City) during calendar year 2011 will not exceed \$10,000,000. For this purpose, this City can disregard private activity bonds and can disregard current refunding bonds to the extent that the amount of the refunding bonds does not exceed the outstanding amount of the bonds being refunded.

SECTION 11. Definitions

“Available Construction Proceeds” means an amount equal to the Sale Proceeds of the Bond, plus all investment earnings received from the investment of the Sale Proceeds of the Bond prior to being spent, less the amount of the proceeds of the Bond used to pay the costs of issuance of the Bond.

“Bona Fide Debt Service Fund” means an account that will be used primarily to achieve a proper matching of revenues with principal and interest requirements on the Bond within each Bond Year and that will be completely depleted at least once each Bond Year except for a reasonable carryover amount that will not exceed the greater of: (a) the earnings on the Bona Fide Debt Service Fund for the immediately preceding Bond Year, or (b) one-twelfth of the principal and interest payments on the Bond for the immediately preceding Bond Year.

“Bond Counsel” means K&L Gates LLP, or any other nationally recognized bond counsel.

“Bond Year” means each one year period that ends on March 17, unless the City elects a different Bond Year. The first Bond Year ends March 17, 2012.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations and rulings issued under that Code.

“Computation Date” means March 17, 2016, March 17, 2021, and March 1, 2026; or any earlier date on which all the entire Bond is discharged.

“Computation Period” means the period between Computation Dates. The first Computation Period begins on March 17, 2011, and ends on March 17, 2016. Each succeeding Computation Period begins on the date immediately following the Computation Date and ends on the following Computation Date.

“Constructed Personal Property” means Tangible Personal Property or Specially Developed Computer Software if:

(a) A substantial portion of the property is completed more than six months after the earlier of the date construction or rehabilitation commenced and the date the City entered into an acquisition contract;

(b) Based on the reasonable expectations of the City or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the City) could not have occurred within that six-month period; and

(c) If the City itself builds or rehabilitates the property, not more than 75% of the capitalizable cost is attributable to property acquired by the City (such as components, raw materials, and other supplies).

“Construction Expenditures” means expenditures that, on or before the date the property financed by the expenditures is placed in service, are capitalizable to the cost of Real Property or Constructed Personal Property. Construction Expenditures do not include expenditures for acquisitions of interests in land or other existing Real Property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the City requires the seller to build or install the property (such as under a "turnkey contract"), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

“Date of Issue” means March 17, 2011.

“Investment” means any security, obligation, annuity contract, investment-type property and any tax-exempt obligation that is a specified private activity bond as defined in Section 57(a)(5)(C) of the Code. Investment-type property is property held primarily for the production of income.

“Investment Proceeds” means any amounts actually or constructively received from investing proceeds of an issue.

“Materially Higher Yield Investment” means an Investment having a yield more than one-eighth of one percentage point above the Bond yield except that the Investment yield for amounts to provide for payment of principal or interest on other obligations of the City and for any Replacement Proceeds is materially higher if it is more than one-thousandth of one percent above the Bond yield. If yield restricted Investments in the same class are subject to different definitions of materially higher, the applicable definition of materially higher that produces the lowest permitted yield applies to all Investments in the class. If an Investment is a tax-exempt obligation, but is not investment-type property, there is no yield limitation.

“Net Sale Proceeds” means the Sale Proceeds less the portion of those proceeds invested in the minor portion described in Section 2.2(A)(3).

“Private Person” means any person or entity other than a state or local governmental unit, including the federal government and an organization described in Section 501(c)(3) of the Code.

“Private Use” means the use of property in a trade or business by a Private Person if such use is other than as a member of the general public. Private Use includes ownership of the property by the Private Person as well as other arrangements that transfer to the Private Person the actual or beneficial use of the property (such as a lease, management contract, service or incentive payment contract, output contract or other special arrangement) in such a manner as to set the Private Person apart from the general public.

“Proceeds” means any Sale Proceeds, Investment Proceeds, and Transferred Proceeds of the Bond.

“Real Property” means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges and sewage lines.

“Reasonable Retainage” means an amount not in excess of 5% of the proceeds of the Bond allocable to the Capital Projects retained for reasonable business purposes, such as ensuring or promoting compliance with the terms of constructions contracts in circumstances in which the amount is not yet payable or in which the City reasonably determines that a dispute exists regarding completion or payment.

“Rebate Amount” means the amount required to be paid to the United States in accordance with 148(f) of the Code.

“Related Parties” means, in reference to governmental units or 501(c)(3) organizations, members of the same controlled group within the meaning of Section 1.150-1(e) of the Income Tax Regulations, and in reference to any person that is not a governmental unit or a 501(c)(3) organization, a related person as defined in Section 144(a)(3) of the Code.

“Replacement Proceeds” means any amounts that have a sufficiently direct nexus to the Bond or to the governmental purposes of the Bond to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the Bond were not used for that purpose. Replacement Proceeds include, but are not limited to, sinking funds, pledged funds and other amounts that have a nexus to the governmental purposes of the Bond to the extent that these funds or amounts are held by or derived from a substantial beneficiary of the Bond. Replacement Proceeds also include amounts that arise to the extent that the City reasonably expects as of March 17, 2011, that the term of the Bond will be longer than is reasonably necessary for the governmental purposes of the Bond and there will be available amounts during the period that the Bond remain outstanding longer than necessary.

“Sale Proceeds” means any amounts actually or constructively received from the sale of the Bond including amounts used to pay Purchaser’s discount or compensation and accrued interest other than pre-issuance accrued interest.

“Specially Developed Computer Software” means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed to meet the individual needs of the City and the software is functionally related and subordinate to real property or other constructed personal property.

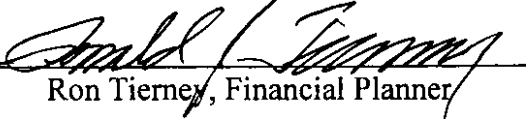
“Tangible Personal Property” means tangible property other than real property, including interests in tangible personal property. For example, tangible personal property includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment and furnishings.

“Transferred Proceeds” means any Proceeds of a prior issue that cease to be Proceeds of that prior issue and become Proceeds of the issue that refunds it on a date on which all or part of outstanding principal amount of the prior issue is discharged with Proceeds of the refunding issue.

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Dated as of the 17th day of March, 2011.

City of Lincoln City, Oregon

By: 
Ron Tierney, Financial Planner

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)
 ► See separate instructions.

OMB No. 1545-0720

Caution: If the issue price is under \$100,000, use Form 8038-GC.

Part I Reporting Authority		If Amended Return, check here <input type="checkbox"/>	
1 Issuer's name City of Lincoln City		2 Issuer's employer identification number (EIN) 93 0523629	
3 Number and street (or P.O. box if mail is not delivered to street address) P.O. Box 50		Room/suite	4 Report number (For IRS Use Only) 3
5 City, town, or post office, state, and ZIP code Lincoln City, Oregon 97367		6 Date of issue 3/17/2011	
7 Name of issue General Obligation Sewer Bond, Series 2011		8 CUSIP number none	
9 Name and title of officer of the issuer or other person whom the IRS may call for more information Ron Tierney, Financial Planner		10 Telephone number of officer or other person (541) 996-1212	

Part II Type of Issue (enter the issue price) See instructions and attach schedule	
11 Education	11
12 Health and hospital	12
13 Transportation	13
14 Public safety	14
15 Environment (including sewage bonds)	15
16 Housing	16
17 Utilities	17 7,000,000
18 Other. Describe ►	18
19 If obligations are TANs or RANs, check only box 19a <input type="checkbox"/>	
If obligations are BANs, check only box 19b <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>	

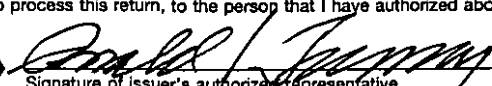
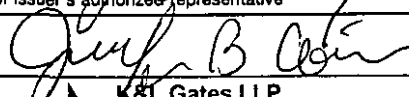
Part III Description of Obligations. Complete for the entire issue for which this form is being filed.					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	3/01/2026	\$ 7,000,000	\$ 7,000,000	8.327 years	4.1229 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)				
22	Proceeds used for accrued interest	22	-0-	
23	Issue price of entire issue (enter amount from line 21, column (b))	23	7,000,000	
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	13,600	
25	Proceeds used for credit enhancement	25	-0-	
26	Proceeds allocated to reasonably required reserve or replacement fund	26	-0-	
27	Proceeds used to currently refund prior issues	27	-0-	
28	Proceeds used to advance refund prior issues	28	-0-	
29	Total (add lines 24 through 28)	29	13,600	
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	6,984,000	

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)		N/A
31	Enter the remaining weighted average maturity of the bonds to be currently refunded	years
32	Enter the remaining weighted average maturity of the bonds to be advance refunded	years
33	Enter the last date on which the refunded bonds will be called (MM/DD/YYYY)	
34	Enter the date(s) the refunded bonds were issued (MM/DD/YYYY)	

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	-0-
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions)	36a	-0-
b	Enter the final maturity date of the GIC ▶ _____		
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	-0-
b	If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the name of the issuer ▶ _____ and the date of the issue ▶ _____		
38	If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶		<input checked="" type="checkbox"/>
39	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶		<input type="checkbox"/>
40	If the issuer has identified a hedge, check box ▶		<input type="checkbox"/>

Signature and Consent	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.			
	 Signature of issuer's authorized representative	3/17/2011 Date	Ron Tierney, Financial Planner Type or print name and title	
Paid Preparer's Use Only	Preparer's signature ▶ 	Date 3/17/11	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN P01240398
	Firm's name (or yours if self-employed), address, and ZIP code ▶	K&L Gates LLP 222 SW Columbia, Ste. 1400, Portland, OR 97201		EIN 25 : 0921018 Phone no. (503) 228-3200

March 17, 2011

**VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED --# 7009 0960 0000 6109 7059**

Internal Revenue Service
Internal Revenue Service Center
Ogden, UT 84201

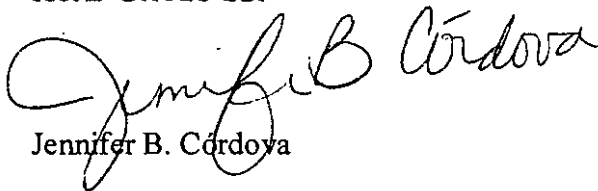
**Subject: \$7,000,000 City of Lincoln City, Oregon,
General Obligation Sewer Bond, Series 2011;
Our File No. 1826974.00021
Taxpayer ID Number: 93 0523629**

Dear Sir or Madam:

Enclosed is an original, executed IRS Form 8038-G for filing in connection with the above-referenced financing.

Sincerely,

K&L GATES LLP


Jennifer B. Cordova

JBC/acg

Enclosures

J:\CITIES\Lincoln City\2011 GO Bonds\Admin, Misc\irs ltr.doc

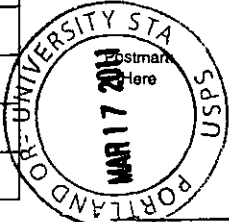
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OFFICIAL USE

7009 0960 0000 6109 7059

Postage	\$.44
Certified Fee	2.80
Return Receipt Fee (Endorsement Required)	2.30
Restricted Delivery Fee (Endorsement Required)	—
Total Postage & Fees	\$ 5.54



Sent To _____ Internal Revenue Service
 Street, Apt. No., or PO Box No. _____ IRS Center
 City, State, ZIP+4 _____ Ogden, UT 84201

RECEIPT FOR BOND PROCEEDS

\$7,000,000


**City of Lincoln City, Oregon
General Obligation Sewer Bond
Series 2011**

On behalf of the City of Lincoln City, Oregon (the "City"), I hereby acknowledge receipt of the proceeds of the captioned Bond in the following amount:

Principal amount of Bond:	\$7,000,000.00
Less Bank origination fee:	(5,000.00)
Less Bank attorney fee:	<u>(600.00)</u>
Total received:	\$6,994,400.00

Dated as of the 17th day of March, 2011.

City of Lincoln City, Oregon

By: 
Ron Tierney, Financial Planner

CERTIFICATE REGARDING NO REOFFERING

\$7,000,000

**City of Lincoln City, Oregon
General Obligation Sewer Bond
Series 2011**

On behalf of Bank of America, N.A. (the "Bank"), the undersigned hereby certifies as follows with respect to the issuance by the City of Lincoln City, Oregon (the "Issuer") of the above-captioned bond (the "Bond"):

1. The Bank is purchasing the Bond on the date of this certificate and intends to hold the Bond in its own account until maturity of the Bond.

2. On the date of this certificate (the "Sale Date"), the Bank and the Issuer became legally obligated to perform their obligations under the Bond.

3. The price to be paid for the Bond by the Bank, excluding any origination fee, is \$7,000,000 and such amount reflects market conditions on the Sale Date and is not greater than the fair market value of the Bond on the Sale Date.

4. The undersigned understands that the statements made herein will be relied upon by the Issuer in its effort to comply with the restrictions imposed by the Internal Revenue Code of 1986, as amended, on the investment of proceeds of the Bond.

Dated as of the 17th day of March, 2011.

Bank of America, N.A.

By: _____


Sharon Capizzo, Senior Vice President

RECEIPT FOR BOND

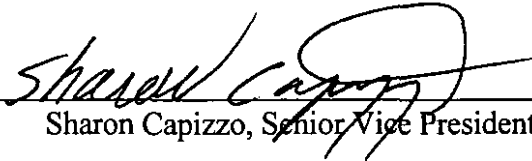
\$7,000,000

**City of Lincoln City, Oregon
General Obligation Sewer Bond
Series 2011**

On behalf of Bank of America, N.A. (the "Bank"), I hereby certify that the Bank has received the fully executed original of the captioned Bond, which is in satisfactory form.

Dated as of the 17th day of March, 2011.

Bank of America, N.A.

By: 
Sharon Capizzo, Senior Vice President

March 17, 2011

City of Lincoln City
P. O. Box 50
801 S.W. Highway 101
Lincoln City, Oregon 97367Bank of America, N.A.
Government Banking OR 1-129-17-15
121 S.W. Morrison Street, Suite 1700
Portland, Oregon 97204

Subject: \$7,000,000 City of Lincoln City, Oregon, General Obligation Sewer Bond, Series 2011

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Lincoln City, Oregon (the "City") of its General Obligation Sewer Bond, Series 2011 (the "Bond"), which is dated March 17, 2011 and is in the principal amount of \$7,000,000. The Bond is authorized by the authority granted by the voters of the City at an election held on November 2, 2004, and City Resolution No. 2011-09 adopted March 14, 2011 (the "Resolution"). The Bond is issued under a bond purchase agreement between the City and Bank of America, N.A. dated March 17, 2011 (the "Bond Purchase Agreement").

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering materials relating to the Bond, and we express no opinion relating thereto.

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bond and Bond Purchase Agreement has been legally authorized and executed under and pursuant to the Constitution and Statutes of the State of Oregon, the City Charter, and the Resolution. The Resolution has been properly adopted under and pursuant to the Constitution and Statutes of the State of Oregon and the City Charter. The Bond and the Bond Purchase Agreement constitute valid and legally binding general obligations of the City enforceable in accordance with their terms.

2. The City has pledged its full faith and credit to the payment of the Bond. The Bond is payable from ad valorem taxes which may be levied without limitation as to rate or amount on all taxable property within the boundaries of the City.

3. Interest on the Bond (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The portion of the opinion set forth in this paragraph is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bond in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bond to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bond.

4. Interest on the Bond is exempt from Oregon personal income tax.

We note that the City has designated the Bond as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bond. Owners of the Bond should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bond, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the Bond may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors' rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

This opinion is given as of the date hereof, and we assume no obligation to update, revise, or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms "law" and "laws" do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion.

This opinion is given solely for your benefit in connection with the above referenced bond financing and may not be relied on in any manner or for any purpose by any person or entity other than the addressees listed above and the owners of the Bond, nor may copies be furnished to any other person or entity, without the prior written consent of K&L Gates LLP.

We have served only as bond counsel to the City in connection with the Bond and have not represented any other party in connection with the Bond. Therefore, no attorney-client relationship shall arise by virtue of our addressing this opinion to persons other than the City.

This opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

Respectfully submitted,

K&L GATES LLP

By: 
Harvey W. Rogers

Bank of America
Merrill Lynch



SETTLEMENT INSTRUCTIONS

TO: Distribution List
FROM: Sharon Capizzo, Senior Vice President
Bank of America Government Banking
DATE: March 15, 2011
RE: City of Lincoln City
General Obligation Sewer Bond Series 2011

Closing details for the above-referenced transaction are as follows:

Date/Time: March 17, 2011 10:30am

Location: K & L Gates LLP
222 S.W. Columbia, Suite 1400
Portland, Oregon 97201
Phone: (503) 228-3200

Settlement:	Par Amount of Issue	\$7,000,000.00
	Less Origination Fee	5,000.00
	Bank Legal Fee	600.00
	Net Proceeds to City	\$6,994,400.00

Settlement Instructions: Bank of America, N.A. will credit net proceeds to the client's account at Bank of America.