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May 12, 2014

To the persons on the attached Transcript Distribution List

Subject: \$4,000,000 City of Lincoln City, Oregon,  
Financing Agreement (Water Projects);  
Our File No.: 38347

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,

HAWKINS DELAFIELD & WOOD LLP

Harvey W. Rogers

HWR/acg  
Enclosure

## TRANSCRIPT DISTRIBUTION LIST

**\$4,000,000**

**City of Lincoln City, Oregon  
Financing Agreement (Water Projects)  
Dated April 17, 2014**

### **Issuer**

Ron Tierney (1 CD)  
Financial Planner  
City of Lincoln City  
PO Box 50  
Lincoln City, OR 97367  
Telephone: (541) 996-1212  
Email: ront@lincolncity.org

### **Lender**

Sharon Capizzo, Senior Vice President (1 CD)  
Columbia State Bank  
805 S.W. Broadway, Suite 2700  
Portland, OR 97205  
Telephone: (503) 478-1720  
Telecopier: (503) 478-1778  
Email: scapizzo@columbiabank.com

### **Financial Advisor**

Ray Bartlett (1 CD)  
Economic and Financial Analysis  
1409 Franklin Street, Suite 201  
Vancouver, WA 98660  
Telephone: (360) 823-1700  
Email: ray@economicandfinancialanalysis.com

### **Bond Counsel**

Harvey Rogers, Esq. (1 CD, originals)  
Gülgün Mersereau, Esq.  
Jennifer Cordova, Esq.  
Hawkins Delafield & Wood LLP  
200 S.W. Market Street, Suite 350  
Portland, OR 97201  
Telephone: (503) 402-1320  
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Email: hrogers@hawkins.com  
gmersereau@hawkins.com  
jcordova@hawkins.com

### **Consultant**

Matt Donahue (1 CD)  
Vice President  
D.A. Davidson & Co.  
1300 SW Fifth Avenue, Suite 1950  
Portland, OR 97201  
Telephone: (503) 863-5094  
Email: mdonahue@dadco.com

## LEGAL CLOSING MEMORANDUM AND INDEX

**\$4,000,000**  
**City of Lincoln City, Oregon**  
**Financing Agreement (Water Projects)**  
**Dated April 17, 2014**

Closing will be held on April 17, 2014 at 10:00 a.m. in the offices of Hawkins Delafield & Wood LLP, Bond Counsel, 200 S.W. Market Street, Suite 350, Portland, Oregon. There will be no preclosing.

Listed below are the required closing documents. Beside each document is the name of the party responsible for providing that document to Special Counsel before the closing. All documents should be originals or true copies of originals.

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

City	City of Lincoln City, Oregon, Borrower
Bank	Columbia State Bank, Bank
S&R	Schulkin Rein PLLC, Bank's Counsel
E&FA	Economic & Financial Analysis, Financial Advisor
HDW	Hawkins Delafield & Wood LLP, Special Counsel

### **BASIC DOCUMENTS**

- HDW 1. Transcript Certification.
- HDW 2. Request for Proposals.
- HDW 3. Bank's Loan Proposal.
- HDW 4. Financing Agreement (Water Projects).

### **CITY'S DOCUMENTS**

- HDW 5. Resolution No. 2008-34, authorizing Financial Planner to make declarations of intent to reimburse.
- HDW 6. Declaration of Official Intent.
- City 7. Minutes of February 10, 2014 City Council meeting at which Resolution No. 2014-01 was adopted.
- HDW 8. Resolution No. 2014-01, authorizing the financing.
- HDW 9. General Certificate.
- HDW 10. Tax Certificate.
- HDW 11. IRS Form 8038-G, with evidence of filing.
- HDW 12. Receipt for Proceeds.

### **BANK'S DOCUMENTS**

- HDW 13. Qualified Investor Letter.

HDW 14. Certificate Regarding No Reoffering.

HDW 15. Receipt for Financing Agreement.

**OPINIONS AND MISCELLANEOUS**

E&FA 16. MDAC Form 2 (bond sale information) as filed with Oregon State Treasury (post-closing).

HDW 17. Opinion of Special Counsel.

HDW 18. Reliance opinion of Special Counsel addressed to Bank.

HDW 19. Final pricing numbers.

Bank 20. Settlement Instructions.

**TRANSCRIPT CERTIFICATION**

**\$4,000,000**

**City of Lincoln City, Oregon  
Financing Agreement (Water Projects)  
Dated April 17, 2014**

On behalf of City of Lincoln City, Oregon, I hereby certify that the attached documents are true copies or duplicate originals of the documents which were assembled at the closing of the above-captioned Financing Agreement (Water Projects) on April 17, 2014 at the offices of Hawkins Delafield & Wood LLP, in Portland, Oregon.

Dated as of the 17th day of April, 2014.

**City of Lincoln City, Oregon**



Ronald J. Tierney, Financial Planner



**FROM:** Ron Tierney, City of Lincoln City  
Raymond Bartlett, Economic and Financial Analysis  
Matt Donahue, D.A. Davidson & Co.

**CC:** Harvey Rogers, Hawkins Delafield & Wood LLP  
Gulgun Mersereau, Hawkins Delafield & Wood LLP  
Jennifer Cordova, Hawkins Delafield & Wood LLP

**RE:** **City of Lincoln City Full Faith and Credit Financing Agreement—Request for Bid**

**DATE:** March 3, 2014

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City of Lincoln City, Oregon (the "City") is requesting proposals for a financing agreement (the "Financing Agreement") to finance water projects throughout the City. The preferred terms are set forth in the term sheet attached as Exhibit A and a form of Financing Agreement is attached as Exhibit B.

The City's latest and historical financials can be found on the City's web site.

[http://www.lincolncity.org/index.asp?SEC=1895DBEB-D8CB-47B5-B965-EOE5B80CB23D&Type=B\\_BASIC](http://www.lincolncity.org/index.asp?SEC=1895DBEB-D8CB-47B5-B965-EOE5B80CB23D&Type=B_BASIC)

Proposals are due to the City by email on or before Monday March 24, 2014, at 2 p.m. The closing for the borrowing is currently scheduled to take place on or about April 17, 2014.

Please direct your responses to:

Mr. Ron Tierney  
Financial Planner  
City of Lincoln City  
P.O. Box 50  
Lincoln City, OR 97367  
Phone: (541) 996-1212  
Email: RonT@lincolncity.org

Mr. Raymond Bartlett  
Financial Advisor to the City  
Economic and Financial Analysis  
1409 Franklin St.  
Vancouver, WA 98660  
Phone: (360) 823-1700  
Email: ray@economicandfinancialanalysis.com



### **Project Background**

The proceeds from the Financing Agreement will be used to pay for capital projects to improve the City's water distribution system such as relocating water lines along Highway 101 and relocating a major transmission main under Schooner Creek. Similar projects will replace and upgrade other water lines throughout the City to improve service quality and redundancy. Also, the proceeds will in part be used to make improvements to the water treatment plant

### **Security for Financing Agreement**

Pursuant to ORS 287A.315, the City will pledge its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay the principal and interest due under the Financing Agreement. The City shall pay the amounts due under the Financing Agreement from any and all of its legally available taxes, revenues and other funds. The pledge of the City's full faith and credit and taxing power shall not entitle the Lender to any lien on, or pledge of, specific properties or revenues of the City.

### **Litigation**

There is no litigation pending against the City questioning the authority of the City to enter into the Financing Agreement or which would materially affect the ability of the City to meet the debt service requirements on the Financing Agreement

### **Request for Proposal**

Please provide a proposal for the Financing Agreement with the City including an interest rate and any basis, index, and formula for calculating that rate. See Exhibit A for the preferred terms. You may submit your proposal in the form of a term sheet.

By submitting a proposal you are indicating your acceptance of the form of financing agreement in Exhibit B. If you have comments to the form of financing agreement, please provide them with your proposal.

Please also include your maximum amount for any fees or charges that will be borne by the City related to the Financing Agreement, including any bank counsel fees. Your response to this section does not need to include the fees the City will pay for its bond counsel and financial advisor.

Finally, please indicate in your proposal if your organization falls within one of the following categories :

- (a) a bank as defined in Section 3(a)(2) of the Securities Act of 1933 as amended (the "Securities Act");<sup>1</sup> or

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<sup>1</sup> A "bank" is defined in Section 3(a)(2) of the Securities Act as "any national bank, or any banking institution organized under the laws of any State, territory, or the District of Columbia, the business of which is substantially confined to banking and is supervised by the State or territorial banking commission or similar official; except that in the case of a common trust fund or similar fund, or a collective trust fund, the term "bank" has the same meaning as in the Investment Company act of 1940 [15 U.S.C.A. §80a-1 et. seq.]."



(b) a savings and loan association or other institution described in Section 3(a)(5)(A) of the Securities Act,<sup>2</sup> whether acting in its individual or fiduciary capacity; or

(c) a “Qualified Institutional Buyer” as that term is defined in Rule 144A under the Securities Act.

### Questions

Please pose any questions via email to Raymond Bartlett at [ray@economicandfinancialanalysis.com](mailto:ray@economicandfinancialanalysis.com). Questions may be submitted through Monday March 17, 2014.

### Schedule of Events

RFP Distributed	Monday March 3, 2014
Final Date to submit Questions	Monday, March 17, 2014
Responses Due	Monday, March 24, 2014
Selection of Proposal	Thursday, March 27, 2014
Closing	Thursday, April 17, 2014

### Award

The City will select a bank based on the proposal with interest costs and other terms and conditions that are the most advantageous to the City. The City reserves the right to waive irregularities and to reject any and all proposals.

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<sup>2</sup> A “savings and loan association or other institution described in Section 3(a)(5)(A) of the Securities Act” is a savings and loan association, building and loan association, cooperative bank, homestead association, or similar institution, which is supervised and examined by State or Federal authority having supervision over any such institution.





Exhibit A  
Term Sheet

City of Lincoln City, Full Faith and Credit Financing Agreement

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Principal Amount: \$4,000,000\*

Purpose: To finance capital projects for the City's water system

Final Maturity: 4/1/2024

Dates:

- Dated Date: April 17, 2014
- Closing Date: April 17, 2014
- First Interest Payment: October 1, 2014
- First Principal Payment: April 1, 2015

Interest: Fixed-rate, semi-annual, October 1 and April 1, interest calculated on a 30/360 day basis.

Principal: First principal payment on April 1, 2015 followed by annual principal payments on April 1.

Principal Repayment Schedule:

Payment Date	Principal
4/1/2015	\$ 370,000.00
4/1/2016	370,000.00
4/1/2017	380,000.00
4/1/2018	385,000.00
4/1/2019	395,000.00
4/1/2020	405,000.00
4/1/2021	410,000.00
4/1/2022	420,000.00
4/1/2023	430,000.00
4/1/2024	435,000.00

Principal schedule is illustrative only. Please adjust proposed principal payment schedule to result in equal annual payments (including interest) by fiscal year ending June 30<sup>th</sup>.

Optional Prepayment: Earliest date possible without penalty. If prepayment affects interest rate cost please submit interest rate with prepayment provision and interest rate without prepayment provision.

Security:



Pursuant to ORS 287A.315, the City will pledge its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay the principal and interest due under the Financing Agreement. The City shall pay the amounts due under the Financing Agreement from any and all of its legally available taxes, revenues and other funds. The pledge of the City's full faith and credit and taxing power shall not entitle the Lender to any lien on, or pledge of, specific properties or revenues of the City.

See the attached form of Financing Agreement (Exhibit B).

Rating: Moody's currently rates the County's outstanding unlimited General Obligation Bonds as "A1".

Tax-Exempt: Yes

Legal Opinion: Furnished by Hawkins Delafield & Wood LLP, Portland, Oregon at the City's expense.

Bank Qualified: Yes

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\* Preliminary, subject to change.

Exhibit B

Form of Financing Agreement

## FINANCING AGREEMENT

**\$4,000,000**

**City of Lincoln City, Oregon  
Financing Agreement (Water Projects)  
Dated April \_\_, 2014**

This Financing Agreement (Water Projects) is entered into between City of Lincoln City, Oregon (the "City") and [Lender] (the "Lender") as of this \_\_ day of April, 2014.

### **1. Definitions.**

For purposes of this Financing Agreement, the following capitalized terms shall have the following meanings, unless the context clearly requires otherwise:

"Banking Day" means any day except a Saturday, a Sunday or any other day on which commercial banks in Oregon are authorized or required by law to close.

"City" means City of Lincoln City, Oregon.

"City Official" means the City Manager, the Financial Planner, the Finance Director or the person designated by the City Manager to act as City Official under the Resolution defined below.

"Closing Date" means April \_\_, 2014.

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

"Event of Default" means the occurrence of any of the following: (i) a failure to pay within 10 days after the due date thereof any principal or interest that is required to be paid under this Financing Agreement; (ii) a final determination by the Internal Revenue Service that interest on this Financing Agreement is includable in gross income under the Code; (iii) a failure by the City to comply with any of its obligations or to perform any of its duties under this Financing Agreement, other than a failure described in clauses (i) or (ii) of this definition, which failure continues and is not cured for a period of more than 60 days after the Lender has made written demand on the City to cure such failure.

"Financing Agreement" means this Financing Agreement (Water Projects).

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

"Interest Rate" means a fixed annual interest rate of \_\_\_\_\_ percent per annum, calculated on the basis of a 360-day year consisting of twelve 30-day months.

"Lender" means [Lender], or its successors.

"Maturity Date" means April 1, 2024.

“Outstanding Balance” means, at any time, the Principal Amount, less the sum of all principal repayments which have been received by the Lender.

“Principal Amount” means \$4,000,000.

“Projects” means the Projects defined in the Resolution.

“Resolution” means the City’s Resolution No. 2014-01 adopted February 10, 2014, authorizing this Financing Agreement.

“Securities Act” means the Securities Act of 1933, as amended.

“Special Counsel” means Hawkins Delafield & Wood LLP.

## **2. Loan.**

- 2.1. The Lender shall advance the Principal Amount to the City on the date of this Financing Agreement.
- 2.2. The Outstanding Balance shall bear interest at the Interest Rate from the date of this Financing Agreement. Interest is payable semiannually on April 1 and October 1 of each year, commencing October 1, 2014.
- 2.3. The City shall repay the Principal Amount in the following installments on the following dates:
  - 2.4. All unpaid principal, plus accrued interest, shall be paid no later than the Maturity Date.

## **3. Prepayment.**

- 3.1. On or after \_\_\_\_\_ [insert date mutually agreeable to Lender and City] the City may prepay any portion of the Outstanding Balance without premium on any Banking Day with one Banking Day’s notice.
- 3.2. Prepayments by the City to the Lender shall be applied first, to pay accrued interest on the principal amount that is prepaid, and second to reduce the Outstanding Balance.

#### **4. Security for Financing Agreement.**

Pursuant to ORS 287A.315, the City hereby pledges its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay the principal and interest due to the Lender under this Financing Agreement. The City shall pay the amounts due under this Financing Agreement from any and all of its legally available taxes, revenues and other funds. This pledge of the City's full faith and credit and taxing power shall not entitle the Lender to any lien on, or pledge of, specific properties or revenues of the City.

#### **5. Accounting and Billing.**

The Lender shall provide the City with a written accounting of all payments and other transactions relating to this Financing Agreement quarterly. The Lender shall send the City a bill for the amount due on each Financing Agreement payment date not later than seven Banking Days prior to that payment date.

#### **6. Use of Financing Agreement Proceeds.**

The City shall apply the amount it receives under this Financing Agreement to pay costs of the Projects and to pay costs related to this Financing Agreement.

#### **7. Tax-Exemption.**

- 7.1. The City agrees to comply with all representations in the Tax Certificate for this Financing Agreement. The City further covenants for the benefit of the Lender to comply with all provisions of the Code which are required for interest paid pursuant to this Financing Agreement to be excluded from gross income for federal income tax purposes.
- 7.2. The City hereby designates this Financing Agreement as a "qualified tax-exempt obligation" under Section 265(b) of the Code.
- 7.3. Interest paid pursuant to this Financing Agreement is exempt from State of Oregon personal income taxes.

#### **8. Representations of the City.**

By executing this Financing Agreement in the space provided below, the City represents to the Lender that:

- 8.1. 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 Financing Agreement and perform its duties under this Financing Agreement.
- 8.2. The adoption of the Resolution, the execution of this Financing Agreement and the performance of the City's obligations under this Financing Agreement does not conflict in any material respect with, or constitute a material breach of or default under, any law,

court decree, administrative regulation, resolution or other agreement to which the City is a party or by which it is bound.

- 8.3. There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency having jurisdiction over the City that is pending or, to the best of the knowledge of the City, is threatened against the City to restrain or enjoin the execution of this Financing Agreement, the adoption of the Resolution, or the collection and application of the funds as contemplated by the Resolution and this Financing Agreement, which, if such matter were adversely decided against the City would, in the reasonable judgment of the City, have a material and adverse effect on the ability of the City to pay the amounts due under this Financing Agreement.
- 8.4. 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 by this Financing Agreement to exist, to have happened and to have been performed precedent to and in the execution and the delivery of this Financing Agreement, do exist, have happened and have been performed in due time, form and manner, as required by law, and that this Financing Agreement is a valid and binding obligation of the City which is enforceable against the City in accordance with its terms, except to the extent that enforceability may be limited by i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other 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.

### **9. Covenants of the City.**

The City covenants for the benefit of the Lender that:

- 9.1. While this Financing Agreement is in effect and until full and final payment of the Outstanding Balance and all accrued and unpaid interest and fees the City shall provide the Lender with:
  - (a) A complete copy of the City's audited annual financial statements for each Fiscal Year, within 270 days following the end of each Fiscal Year.
  - (b) A complete copy of the City's budget for each Fiscal Year promptly after it is adopted by the City Council.

### **10. Fees, Costs and Expenses.**

- 10.1. Lender Fees and charges.
  - (a) The City will pay the Lender a loan fee of \$\_\_\_\_\_.

(b) The City will pay up to \$\_\_\_\_\_ for fees and costs of the Lender's counsel in connection with this Financing Agreement.

(c) The Lender will not charge the City any other fees or costs in connection with this Financing Agreement.

10.2. **Costs of Enforcement.** If either party incurs any expenses in connection with enforcing this Financing Agreement, or if the Lender takes collection action under this Financing Agreement, the losing party shall pay to the prevailing party, on demand, the prevailing party's reasonable costs and reasonable attorneys' fees, whether at trial, on appeal or otherwise, including any allocated costs of in-house counsel.

10.3. **Other Fees and Costs.** The City shall pay the fees and costs of Special Counsel, and any other expenses and costs which the City incurs in connection with this Financing Agreement.

### **11. Default.**

11.1. Upon the occurrence of any Event of Default the Lender may exercise any remedy available at law or in equity. However, the amounts due from the City under this Financing Agreement shall not be subject to acceleration.

11.2. All rights, powers and remedies of the Lender may be exercised at any time after the occurrence of an Event of Default, are cumulative and shall not be exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.

11.3. The Lender may waive any Event of Default, but no such waiver shall extend to a subsequent Event of Default.

### **12. Conditions to the Obligations of the Lender.**

12.1. The Lender may refuse to advance funds under this Financing Agreement unless the Lender has received:

(a) an opinion of Special Counsel to the effect that:

(i) the Financing Agreement is a valid and legally binding full faith and credit obligation of the City that is enforceable against the City in accordance with its terms subject to customary exceptions; and,

(ii) interest paid pursuant to this Financing Agreement is excludable from gross income under the Code;

(iii) the City has designated this Financing Agreement as a qualified tax-exempt obligation under Section 265(b) of the Code; and,



- (iv) interest paid pursuant to this Financing Agreement is exempt from State of Oregon personal income tax.
- (b) 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 governmental agency having jurisdiction over the City that is pending or, to the best of the knowledge of the City, is threatened against the City to restrain or enjoin the execution of this Financing Agreement, the adoption of the Resolution, or the collection and application of the funds as contemplated by the Resolution and this Financing Agreement, which, if such matter were adversely decided against the City would, in the reasonable judgment of the City, have a material and adverse effect on the ability of the City to pay the amounts due under this Financing Agreement.
  - (ii) The adoption of the Resolution and the execution and delivery of this Financing Agreement 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 or other agreement or instrument to which the City is a party or by which it is bound.
- (c) such additional legal opinions, certificates, proceedings, instruments or other documents as the Lender, its counsel or Special Counsel may reasonably request to evidence compliance by the City with the legal requirements for execution and delivery of this Financing 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.

### **13. Disclosure; Assignment.**

- 13.1. No official statement or other disclosure document has been prepared in connection with this Financing Agreement and the City has no obligation in connection with this Financing Agreement to provide any disclosure regarding operating information or material events to the Municipal Securities Rulemaking Board or any dissemination agent. The City is obligated to provide information to the Lender in connection with this Financing Agreement only as specifically stated in this Financing Agreement.
- 13.2. The Lender may not assign its rights and obligations under this Financing Agreement without the prior, written consent of the City.
- 13.3. The City may not assign its rights and obligations under this Financing Agreement without the prior written consent of the Lender.

### **14. Dispute Resolution.**

[Insert dispute resolution provisions agreeable to the City and Lender]

### 15. Miscellaneous.

15.1. Any notices required to be given pursuant to this commitment letter or this Financing Agreement shall be given to the following addresses:

City: City of Lincoln City  
801 S.W. Highway 101  
P.O. Box 50  
Lincoln City, Oregon 97367  
Attn.: Ron Tierney, Financial Planner

Lender: [Lender]

15.2. All representations, warranties, and agreements contained in this Financing Agreement shall survive the execution, delivery and payment of this Financing Agreement. This Financing Agreement shall constitute a contract between the City and the Lender. The Lender's extension of credit hereunder is expressly made in reliance on such contract. :

15.3. This Financing Agreement shall be governed and interpreted in accordance with the laws of the State of Oregon.

15.4. The Lender and the City each irrevocably consents to the personal jurisdiction of the state and federal courts located in the State of Oregon in any action brought under this Financing Agreement, and in any action based upon the transactions encompassed by this Financing Agreement, whether or not based in contract. Venue for any such action shall be in Lincoln County, Oregon.

### 16. Severability and Waivers.

If any part of this Financing Agreement is not enforceable, the rest of the Financing Agreement may be enforced. The Lender retains all rights, even if it makes a loan after default. If the Lender waives a default, it may enforce a later default. Any consent or waiver under this Financing Agreement must be in writing.

### 17. Counterparts.

This Financing Agreement may be executed simultaneously in several counterparts, each of which shall be an original and all of which shall constitute one and the same agreement.

### 18. Written Agreements.

**Under Oregon law, most agreements, promises and commitments made by the Lender 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 the Lender to be enforceable.**

DATED as of the \_\_ day of April, 2014.

[Lender]

By: \_\_\_\_\_  
Authorized Officer

**City of Lincoln City, Oregon**

By: \_\_\_\_\_  
Ron Tierney, Financial Planner



March 21, 2014

Mr. Ron Tierny  
Finance Director  
City of Lincoln City  
P.O. Box 50  
Email: [Ront@lincolncity.org](mailto:Ront@lincolncity.org)

Mr. Raymond Bartlett  
Financial Advisor to City  
Economic and Financial Analysis  
1409 Franklin St.  
[ray@economicandfinancialanalysis.com](mailto:ray@economicandfinancialanalysis.com)

RE: \$4,000,000 Full Faith and Credit Pledge of the City of Lincoln City to finance capital projects for the City's water system.

Dear Ron and Ray:

Thank you for giving Columbia State Bank the opportunity to present you with this proposal for lending services. We are truly proud of our record of excellent customer service and expert consultation, and would be honored to provide the same services to your organization.

We are confident that you will find the enclosed proposal will meet your needs for a very competitive structure. Being a community bank with a local presence, we keep your money working in your community.

**Note: The attached Term Sheet will expire on April 17, 2014, unless extended in writing by the Bank.**

Please feel free to contact me directly should you have any questions.

Sincerely,  
Sharon Capizzo  
Senior Vice President  
Columbia State Bank  
[scapizzo@columbiabank.com](mailto:scapizzo@columbiabank.com)  
503-279-3906



## LOAN PROPOSAL

This term sheet Proposal is presented for discussion purposes only. It is not a commitment to lend by Columbia State Bank ("Bank"). If Columbia Bank does extend a loan commitment, terms and conditions will be subject to completion of due diligence, Columbia Bank's credit and documentation standard, necessary credit approval, market conditions and other considerations determined by Columbia Bank, including pricing and financial covenants. Following are the general terms and conditions based on preliminary information provided:

<b>Borrower:</b>	City of Lincoln City
<b>Purpose:</b>	To Fund capital projects for the City's water system.
<b>Loan Type</b>	Full Faith and Credit of the City.
<b>Amount:</b>	\$4,000,000.
<b>Maturity:</b>	10-years.
<b>Rate:</b>	Tax-exempt Bank Qualified fixed rate at 2.81% - if facility is closed by 4/17/2014. After 4/17/2014, subject to market changes.
<b>Type:</b>	Single advance at closing.
<b>Repayment:</b>	
<b>Interest:</b>	Interest due semi-annual on October 1 <sup>st</sup> and April 1 <sup>st</sup> of each year commencing on October 1, 2014.
<b>Principal:</b>	Principal payments due annually on April 1 <sup>st</sup> of each year commencing on April 1, 2015. <b>Payments calculated on an actual/360.</b>
<b>Prepayment:</b>	Prepayment allowed without penalty on any principal payment date with 30-day notice.
<b>Fees:</b>	loan fee <b>\$1,500.00</b> , plus Bank's out of pocket expenses for documentation review by Bank's Counsel. Bank's counsel review fees not to exceed <b>\$1,200.00</b> , and assumes all documents are prepared by Borrower Counsel. Borrower shall pay the fees and costs of its counsel. All Bank fees are due at closing. Borrower may use proceeds of this financing to pay fees/cost of this financing.

**Collateral:**

The Credit Facility is secured by the Full Faith and Credit of the City. Facility is payable from All legally available general funds.

The City' Full Faith and Credit Pledge subject to the limitation of section 11 and 11b, Article XI of the Constitution of the State of Oregon and the City Charter to pay the financing Payments. The Credit Facility is secured by the Full Faith and Credit of the City of Lincoln City, not subject to annual appropriation.

First priority pledge of loan proceeds until spent.

**Conditions:**

**Representations and**

**Warranties:**

Usual and customary for transactions of this type.

**Covenants:**

Usual and customary covenants for transactions of this type will include but are not limited to the following:

**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 (i) nonpayment of principal, interest, fees or other amounts when due, or (ii) failure to maintain the tax-exempt status of the obligation, then the Bank may increase the interest rate to an additional 5% over the then existing rate.

City will levy against all taxable property within the City to cover debt service should other funds not be sufficient to debt service within constitution, statutory, and charter limits.

**Reporting**

**Requirements:**

Annually:

CPA prepared Audited fiscal yearend financial statements for the City. Statements are due no later than 180-days after fiscal year end.

Copy of the City's annual budget once approved but no later than 90-days after fiscal year end.

Such other financial information as may be reasonably requested by the Bank from time to time.

**Other requirements:**

Loan subject to documentation acceptable to Bank prepared by Borrowers Bond Counsel and reviewed by Bank Counsel..

Borrower's Bond Counsel to provide formation, validity and enforceability opinions and resolution authorizing debt issuance and Tax Opinion acceptable to the Bank and Bank Counsel.

**This Term Sheet will expire on April 17, 2014, unless extended in writing by the Bank.**

The above terms are subject to final internal credit approval.

This Summary of Terms and Conditions contain 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 summary of Terms and Conditions or as may be required by law, the contents of the Summary of Terms and Conditions 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 us, Columbia State Bank concerning loans and other credit extensions which are not tied to 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.**

## Margo Sharp

---

**From:** Raymond Bartlett (ray@economicandfinancialanalysis.com)  
<ray@economicandfinancialanalysis.com>  
**Sent:** Monday, March 24, 2014 1:59 PM  
**To:** Gulgun Mersereau; Harvey Rogers; Jennifer Cordova; Margo Sharp; Matt Donahue  
(mdonahue@dadco.com); Raymond Bartlett (ray@economicandfinancialanalysis.com); Ron  
Tierney (Ront@lincolncity.org)  
**Cc:** Lynelle Hatton (lynelle@economicandfinancialanalysis.com)  
**Subject:** FW: Proposal \$4MM Full Faith and Credit  
**Attachments:** doc20140324131346.pdf

Update of Columbia Proposal - debt service schedule.

Ray

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Raymond J. Bartlett  
Principal

**ECONOMIC & FINANCIAL ANALYSIS**

1409 Franklin St, Suite 201  
Vancouver, WA 98660  
T/360.823.1700

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**From:** Sharon K. Capizzo [mailto:SCapizzo@columbiabank.com]  
**Sent:** Monday, March 24, 2014 1:54 PM  
**To:** Raymond Bartlett (ray@economicandfinancialanalysis.com)  
**Subject:** RE: Proposal \$4MM Full Faith and Credit

Hi Ray – I have attached the payment schedule based on the principal payments in the RFP.

### Sharon Capizzo

SVP, Commercial Banking Officer

1000 SW Broadway, Suite 1100  
Portland, OR 97205

**Direct:** 503.279.3906 | **Fax:** 503.224.9030 | **Website:** [scapizzo@columbiabank.com](mailto:scapizzo@columbiabank.com)



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Connect with Columbia Bank



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**From:** Raymond Bartlett (ray@economicandfinancialanalysis.com) [mailto:ray@economicandfinancialanalysis.com]  
**Sent:** Monday, March 24, 2014 12:14 PM



City of Lincoln City  
Amortization Schedule

	# Days	Interest	Principal	Balance
4/17/2014				\$ 4,000,000.00
10/1/2014	167	\$ 52,141.11		\$ 4,000,000.00
4/1/2015	182	\$ 56,824.44	\$ 370,000.00	\$ 3,630,000.00
10/1/2015	183	\$ 51,851.53		\$ 3,630,000.00
4/1/2016	183	\$ 51,851.53	\$ 370,000.00	\$ 3,260,000.00
10/1/2016	183	\$ 46,566.38		\$ 3,260,000.00
4/1/2017	182	\$ 46,311.92	\$ 380,000.00	\$ 2,880,000.00
10/1/2017	183	\$ 41,138.40		\$ 2,880,000.00
4/1/2018	182	\$ 40,913.60	\$ 385,000.00	\$ 2,495,000.00
10/1/2018	183	\$ 35,639.00		\$ 2,495,000.00
4/1/2019	182	\$ 35,444.25	\$ 395,000.00	\$ 2,100,000.00
10/1/2019	183	\$ 29,996.75		\$ 2,100,000.00
4/1/2020	183	\$ 29,996.75	\$ 405,000.00	\$ 1,695,000.00
10/1/2020	183	\$ 24,211.66		\$ 1,695,000.00
4/1/2021	182	\$ 24,079.36	\$ 410,000.00	\$ 1,285,000.00
10/1/2021	183	\$ 18,355.15		\$ 1,285,000.00
4/1/2022	182	\$ 18,254.85	\$ 420,000.00	\$ 865,000.00
10/1/2022	183	\$ 12,355.80		\$ 865,000.00
4/1/2023	182	\$ 12,288.29	\$ 430,000.00	\$ 435,000.00
10/1/2023	183	\$ 6,213.61		\$ 435,000.00
4/1/2024	183	\$ 6,213.61	\$ 435,000.00	\$ -

## FINANCING AGREEMENT (WATER PROJECTS)

**\$4,000,000**

**City of Lincoln City, Oregon  
Financing Agreement (Water Projects)  
Dated April 17, 2014**

This Financing Agreement (Water Projects) is entered into between City of Lincoln City, Oregon (the "City") and Columbia State Bank (the "Lender") as of this 17<sup>th</sup> day of April, 2014.

### 1. Definitions.

For purposes of this Financing Agreement, the following capitalized terms shall have the following meanings, unless the context clearly requires otherwise:

"Banking Day" means any day except a Saturday, a Sunday or any other day on which commercial banks in Oregon are authorized or required by law to close.

"City" means City of Lincoln City, Oregon.

"City Official" means the City Manager, the Financial Planner, the Finance Director or the person designated by the City Manager to act as City Official under the Resolution defined below.

"Closing Date" means April 17, 2014.

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

"Default Rate" means the Interest Rate plus 500 basis points (5.00%).

"Event of Default" means the occurrence of any of the following: (i) a failure to pay within 10 days after the due date thereof any principal or interest that is required to be paid under this Financing Agreement; (ii) a final determination by the Internal Revenue Service that interest on this Financing Agreement is includable in gross income under the Code; (iii) a failure by the City to comply with any of its obligations or to perform any of its duties under this Financing Agreement, other than a failure described in clauses (i) or (ii) of this definition, which failure continues and is not cured for a period of more than 60 days after the Lender has made written demand on the City to cure such failure.

"Financing Agreement" means this Financing Agreement (Water Projects).

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

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

“Interest Rate” means a fixed annual interest rate of 2.81 percent per annum, calculated on an actual/360 day basis.

“Lender” means Columbia State Bank, or its successors.

“Maturity Date” means April 1, 2024.

“Outstanding Balance” means, at any time, the Principal Amount, less the sum of all principal repayments which have been received by the Lender.

“Principal Amount” means \$4,000,000.

“Projects” means the Projects defined in the Resolution.

“Resolution” means the City’s Resolution No. 2014-01 adopted February 10, 2014, authorizing this Financing Agreement.

“Securities Act” means the Securities Act of 1933, as amended.

“Special Counsel” means Hawkins Delafield & Wood LLP.

## 2. Loan.

2.1. The Lender shall advance the Principal Amount to the City on the date of this Financing Agreement.

2.2. Except as provided in Section 11.2, the Outstanding Balance shall bear interest at the Interest Rate from the date of this Financing Agreement. Interest is payable semiannually on April 1 and October 1 of each year, commencing October 1, 2014.

2.3. The City shall repay the Principal Amount in the following installments on the following dates:

Payment Date	Principal
4/1/2015	\$370,000.00
4/1/2016	370,000.00
4/1/2017	380,000.00
4/1/2018	385,000.00
4/1/2019	395,000.00
4/1/2020	405,000.00
4/1/2021	410,000.00
4/1/2022	420,000.00
4/1/2023	430,000.00
4/1/2024	435,000.00

2.4. All unpaid principal, plus accrued interest, shall be paid no later than the Maturity Date.

### **3. Prepayment.**

- 3.1. The City may prepay all or any portion of the Outstanding Balance without premium on any principal payment date by giving not less than thirty days' prior notice to the Lender and by paying the Lender the portion of the Outstanding Balance that is to be prepaid, plus accrued interest, to the date of prepayment.
- 3.2. Prepayments by the City to the Lender shall be applied first, to pay accrued interest on the principal amount that is prepaid, and second to reduce the Outstanding Balance.

### **4. Security for Financing Agreement.**

4.1 Pursuant to ORS 287A.315, the City hereby pledges its full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution to pay the principal and interest due to the Lender under this Financing Agreement. The City shall pay the amounts due under this Financing Agreement from any and all of its legally available taxes, revenues and other funds. This pledge of the City's full faith and credit and taxing power shall not entitle the Lender to any lien on, or pledge of, specific properties or revenues of the City.

4.2. The City hereby pledges the unexpended proceeds of this Financing Agreement to pay the amounts due under this Financing Agreement. Pursuant to ORS 287A.310, this pledge shall be valid and binding from the date of this Financing Agreement. The proceeds of this Financing Agreement shall immediately be subject to the lien of this pledge without any physical delivery or further act, and this pledge shall be superior to all other claims and liens. The Lender shall have no lien on, or security interest in, any other property or revenues of the City.

### **5. Accounting and Billing.**

The Lender shall provide the City with a written accounting of all payments and other transactions relating to this Financing Agreement quarterly. The Lender shall send the City a bill for the amount due on each Financing Agreement payment date not later than seven Banking Days prior to that payment date.

### **6. Use of Financing Agreement Proceeds.**

The City shall apply the amount it receives under this Financing Agreement to pay costs of the Projects and to pay costs related to this Financing Agreement.

### **7. Tax-Exemption.**

- 7.1. The City agrees to comply with all representations in the Tax Certificate for this Financing Agreement. The City further covenants for the benefit of the Lender to comply with all provisions of the Code which are required for interest paid pursuant to this Financing Agreement to be excluded from gross income for federal income tax purposes.

- 7.2. The City hereby designates this Financing Agreement as a “qualified tax-exempt obligation” under Section 265(b) of the Code.
- 7.3. Interest paid pursuant to this Financing Agreement is exempt from State of Oregon personal income taxes.

### **8. Representations of the City.**

By executing this Financing Agreement in the space provided below, the City represents to the Lender that:

- 8.1. 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 Financing Agreement and perform its duties under this Financing Agreement.
- 8.2. The adoption of the Resolution, the execution of this Financing Agreement and the performance of the City’s obligations under this Financing Agreement does not conflict in any material respect with, or constitute a material breach of or default under, any law, court decree, administrative regulation, resolution or other agreement to which the City is a party or by which it is bound.
- 8.3. There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency having jurisdiction over the City that is pending or, to the best of the knowledge of the City, is threatened against the City to restrain or enjoin the execution of this Financing Agreement, the adoption of the Resolution, or the collection and application of the funds as contemplated by the Resolution and this Financing Agreement, which, if such matter were adversely decided against the City would, in the reasonable judgment of the City, have a material and adverse effect on the ability of the City to pay the amounts due under this Financing Agreement.
- 8.4. 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 by this Financing Agreement to exist, to have happened and to have been performed precedent to and in the execution and the delivery of this Financing Agreement, do exist, have happened and have been performed in due time, form and manner, as required by law, and that this Financing Agreement is a valid and binding obligation of the City which is enforceable against the City in accordance with its terms, except to the extent that enforceability may be limited by i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other 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.

### **9. Covenants of the City.**

The City covenants for the benefit of the Lender that:

- 9.1. While this Financing Agreement is in effect and until full payment of the Outstanding Balance and all accrued and unpaid interest and fees, the City shall levy against all taxable property within the City the permanent rate it is authorized to levy within constitutional, statutory and charter limits to cover debt service on this Financing Agreement should other funds not be sufficient to service such debt.
- 9.2. While this Financing Agreement is in effect and until full and final payment of the Outstanding Balance and all accrued and unpaid interest and fees the City shall provide the Lender with:
  - (a) A complete copy of the City's audited annual financial statements for each Fiscal Year, within 180 days following the end of each Fiscal Year.
  - (b) A complete copy of the City's budget for each Fiscal Year promptly after it is adopted by the City Council, but no later than 90 days after the beginning of the Fiscal Year.
  - (c) Such additional information as the Lender may reasonably request.

#### **10. Fees, Costs and Expenses.**

- 10.1. Lender Fees and charges.
  - (a) The City will pay the Lender a loan fee of \$1,500.
  - (b) The City will pay up to \$1,200 for fees and costs of the Lender's counsel in connection with this Financing Agreement.
  - (c) The Lender will not charge the City any other fees or costs in connection with this Financing Agreement.
- 10.2. Costs of Enforcement. If either party incurs any expenses in connection with enforcing this Financing Agreement, or if the Lender takes collection action under this Financing Agreement, the losing party shall pay to the prevailing party, on demand, the prevailing party's reasonable costs and reasonable attorneys' fees, whether at trial, on appeal or otherwise, including any allocated costs of in-house counsel.
- 10.3. Other Fees and Costs. The City shall pay the fees and costs of Special Counsel, and any other expenses and costs which the City incurs in connection with this Financing Agreement.

#### **11. Default.**

- 11.1. Upon the occurrence of any Event of Default the Lender may exercise any remedy available at law or in equity. However, the amounts due from the City under this Financing Agreement shall not be subject to acceleration.

- 11.2. In addition, and upon the occurrence of an Event of Default described in clause (i) or clause (ii) of the definition of “Event of Default,” the Outstanding Balance shall bear interest at the Default Rate until such Event of Default is remedied.
- 11.3. All rights, powers and remedies of the Lender may be exercised at any time after the occurrence of an Event of Default, are cumulative and shall not be exclusive, and shall be in addition to any other rights, powers or remedies provided by law or equity.
- 11.4. The Lender may waive any Event of Default, but no such waiver shall extend to a subsequent Event of Default.

## **12. Conditions to the Obligations of the Lender.**

- 12.1. The Lender may refuse to advance funds under this Financing Agreement unless the Lender has received:
  - (a) an opinion of Special Counsel to the effect that:
    - (i) the Financing Agreement is a valid and legally binding full faith and credit obligation of the City that is enforceable against the City in accordance with its terms subject to customary exceptions; and,
    - (ii) interest paid pursuant to this Financing Agreement is excludable from gross income under the Code;
    - (iii) the City has designated this Financing Agreement as a qualified tax-exempt obligation under Section 265(b) of the Code; and,
    - (iv) interest paid pursuant to this Financing Agreement is exempt from State of Oregon personal income tax.
  - (b) 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 governmental agency having jurisdiction over the City that is pending or, to the best of the knowledge of the City, is threatened against the City to restrain or enjoin the execution of this Financing Agreement, the adoption of the Resolution, or the collection and application of the funds as contemplated by the Resolution and this Financing Agreement, which, if such matter were adversely decided against the City would, in the reasonable judgment of the City, have a material and adverse effect on the ability of the City to pay the amounts due under this Financing Agreement.
    - (ii) The adoption of the Resolution and the execution and delivery of this Financing Agreement 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 or other agreement or instrument to which the City is a party or by which it is bound.

(c) such additional legal opinions, certificates, proceedings, instruments or other documents as the Lender, its counsel or Special Counsel may reasonably request to evidence compliance by the City with the legal requirements for execution and delivery of this Financing 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.

### **13. Disclosure; Assignment.**

- 13.1. No official statement or other disclosure document has been prepared in connection with this Financing Agreement and the City has no obligation in connection with this Financing Agreement to provide any disclosure regarding operating information or material events to the Municipal Securities Rulemaking Board or any dissemination agent. The City is obligated to provide information to the Lender in connection with this Financing Agreement only as specifically stated in this Financing Agreement.
- 13.2. The Lender may not assign its rights and obligations under this Financing Agreement without the prior, written consent of the City.
- 13.3. The City may not assign its rights and obligations under this Financing Agreement without the prior written consent of the Lender.

### **14. Defeasance.**

14.1. The City shall be obligated to pay any Financing Agreement principal or interest payments that are defeased pursuant to this Section 14.1 solely from the money and Government Obligations deposited in escrow in accordance with this Section 14.1 with an escrow agent or independent trustee as provided in this section, and the City shall have no further obligation to make those payments from any source except the amounts deposited in the escrow. This Financing Agreement shall be deemed defeased if the City:

(a) irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent that are calculated to be sufficient for the payment of the portion of this Financing Agreement that is to be defeased without reinvestment; and

(b) files with the escrow agent or trustee a verification from an independent, certified public accountant to the effect that calculation, described above, is correct.

### **15. Waiver of Trial by Jury.**

To the extent permitted by applicable law, each of the parties waives any right to have a jury participate in resolving any dispute, whether sounding in contract, tort, or otherwise between the parties arising out of, connected with, related to, or incidental to the relationship between any of



them in connection with this Financing Agreement or the transactions contemplated hereby. Instead, any such dispute resolved in court will be resolved in a bench trial without a jury.

#### **16. Miscellaneous.**

16.1. Any notices required to be given pursuant to this commitment letter or this Financing Agreement shall be given to the following addresses:

City: City of Lincoln City  
801 S.W. Highway 101  
P.O. Box 50  
Lincoln City, Oregon 97367  
Attn.: Ron Tierney, Financial Planner

Lender: Columbia State Bank  
1000 SW Broadway, Suite 1100  
Portland, OR 97205  
Attn.: Commercial Banking

16.2. All representations, warranties, and agreements contained in this Financing Agreement shall survive the execution, delivery and payment of this Financing Agreement. This Financing Agreement shall constitute a contract between the City and the Lender. The Lender's extension of credit hereunder is expressly made in reliance on such contract.

16.3. This Financing Agreement shall be governed and interpreted in accordance with the laws of the State of Oregon.

16.4. The Lender and the City each irrevocably consents to the personal jurisdiction of the state and federal courts located in the State of Oregon in any action brought under this Financing Agreement, and in any action based upon the transactions encompassed by this Financing Agreement, whether or not based in contract. Venue for any such action shall be in Lincoln County, Oregon.

#### **17. Severability and Waivers.**

If any part of this Financing Agreement is not enforceable, the rest of the Financing Agreement may be enforced. The Lender retains all rights, even if it makes a loan after default. If the Lender waives a default, it may enforce a later default. Any consent or waiver under this Financing Agreement must be in writing.

#### **18. Counterparts.**


This Financing Agreement may be executed simultaneously in several counterparts, each of which shall be an original and all of which shall constitute one and the same agreement.

**19. Written Agreements.**

**Under Oregon law, most agreements, promises and commitments made by the Lender 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 the Lender to be enforceable.**

DATED as of the 17<sup>th</sup> day of April, 2014.

**Columbia State Bank**

By:   
Sharon Capizzo, Senior Vice President

**City of Lincoln City, Oregon**

By:   
Ron Tierney, Financial Planner

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**RESOLUTION NO 2008-34**

**A RESOLUTION OF THE CITY OF LINCOLN CITY, LINCOLN  
COUNTY, OREGON, DECLARING AN INTENT TO REIMBURSE.**

**WHEREAS**, the City of Lincoln City, Oregon (the "City") has made and expects to make expenditures from its available funds to finance:

a sewer treatment plant,

a library expansion,

a generator for Lincoln Square, and

improvements to the water system, including but not limited to replacing a 2,000,000 gallon water tank with a 4,200,000 water tank and adding a water pump station (collectively, the "Public Improvements"); and

**WHEREAS**, the City reasonably expects to issue bonds, bond anticipation notes, or other obligations (the "Reimbursement Obligations") and to use the proceeds of the Reimbursement Obligations to reimburse the City for the expenditures it makes from its available funds for the Public Improvements; and

**WHEREAS**, to permit interest on the Reimbursement Obligations to be excludable from gross income, the Internal Revenue Code of the United States (the "Code") requires that the City declare its intent to reimburse itself from Reimbursement Obligation proceeds within 60 days after the expenditures are made; and

**WHEREAS**, the City expects that the principal amount of the Reimbursement Obligations will not exceed thirteen million dollars (\$13,000,000); and

**WHEREAS**, the City understands that the use of proceeds of the Reimbursement Obligations to reimburse an expenditure is limited by certain Code guidelines regarding timing of the expenditure and the nature of the expenditure; and,

**NOW THEREFORE**, be it resolved by the the City Council of the City of Lincoln City, Oregon as follows:

**Section 1. Declaration of Intent to Reimburse.** The City hereby declares its official intent pursuant to Section 1.150-2 of the Federal Income Tax Regulations to reimburse itself for expenditures it makes for the Public Improvements with the proceeds of the Reimbursement Obligations.

**Section 2. Future Declarations.** The City Finance Director, the Financial Planner and City Manager are hereby authorized to make future declarations of intent to reimburse under Section

1 1.150-2 of the Federal Income Tax Regulations, on behalf of the City and without further action  
2 by the City Council. All such future declarations shall be in writing and the original or a certified  
3 copy of each declaration shall be maintained in the public records of the City.

4 Section 3. Effective Date. This resolution shall take effect on its date of adoption.

5 Dated this 11<sup>th</sup> day of August, 2008.

6  
7 Lori Hollingsworth  
8 LORI HOLLINGSWORTH, MAYOR

9 Attest:

10 Cathy Steere  
11 CATHY STEERE, CITY RECORDER  
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## DECLARATION OF OFFICIAL INTENT

WHEREAS, the City of Lincoln City, Oregon (the "City") intends to issue borrowings to reimburse the City for certain expenditures for capital projects to be paid by the City prior to the date of delivery of the borrowings; and

WHEREAS, the Internal Revenue Service has promulgated regulations (the "Regulations") that provide, in general, that governmental units may not use the proceeds of tax-exempt obligations or certain taxable obligations to reimburse the governmental unit for expenditures paid prior to the date of delivery of such borrowings unless the governmental unit adopts an "official intent" to issue borrowings in the future to reimburse the expenditures; and

WHEREAS, the Regulations provide that "official intent" may be taken by the governing body of the governmental unit or by a person authorized or designated to declare official intent on behalf of the governmental unit; and

WHEREAS, the City Council of the City resolved in Resolution No. 2008-34, adopted on August 11, 2008, that the Financial Planner of the City is authorized to declare official intent on behalf of the City pursuant to the Regulations and that official intent declarations made by the Financial Planner of the City shall constitute declarations of official intent by the City pursuant to the Regulations;

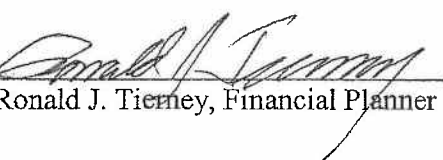
NOW THEREFORE, the Financial Planner of the City, pursuant to Resolution No. 2008-34, declares as follows:

- Section 1.** The City reasonably expects to reimburse expenditures of the following capital projects with the proceeds of a borrowing to be incurred by the City (the "Obligations"): improvements to the City's water system, including the purchase of land (collectively, the "Projects").
- Section 2.** The maximum principal amount of Obligations reasonably expected to be issued for the Projects is Four Million Dollars (\$4,000,000).

None of the original expenditures to be reimbursed pursuant to this declaration were made more than 60 days prior to the date of this declaration (unless such expenditures are determined in consultation with bond counsel to be "preliminary expenditures" or certain *de minimis* expenditures as described in the Regulations).

Dated this 28th day of January, 2014.

City of Lincoln City, Oregon

By:   
Ronald J. Tierney, Financial Planner



# Lincoln City Council

## Regular Meeting

~ Minutes ~

801 SW Hwy 101  
Lincoln City, OR 97367  
www.lincolncity.org

Cathy Steere  
541-996-1203

Monday, February 10, 2014

6:00 PM

Council Chambers

### A. CALL TO ORDER

*Mayor Anderson called the meeting to order at 6:07 pm.*

### B. ROLL CALL

Attendee Name	Title	Status	Arrived
Dick Anderson	Mayor	Present	6:00 PM
Gordon Eggleton	Councilor Ward 2	Excused	
Gary Ellingson	Councilor Ward 3	Present	6:00 PM
Chester Noreikis	Councilor Ward 2	Present	6:00 PM
Henry Quandt	Councilor Ward 1	Present	6:00 PM
Roger Sprague	Councilor Ward 3	Present	6:00 PM
Wes Ryan	Councilor Ward 1	Present	6:00 PM

### C. PLEDGE OF ALLEGIANCE

*Mayor Anderson led The Pledge of Allegiance.*

### D. COMMENTS FROM CITIZENS PRESENT ON AGENDA/NON-AGENDA ITEMS

*Mayor Anderson asked for Council's permission to move out of the order of the agenda to announce that agenda items numbered 11, 12 and 13 will be continued to the next meeting on February 24, 2014, at 6:00 pm. Item 11 is clear vision, item 12 is accessory dwelling units, and item 13 is cottage housing developments. The intent for this message is to notify in advance to those who wish to testify on those items that Council plans to continue those at the time of consideration due to the expected length of agenda item number 10.*

*Jerry Warner, Lincoln City, OR - Commented on properties purchased by the Urban Renewal Agency, the tax loss for those properties, proposed offer of purchase for properties that was turned down by the City, and funds needed for the Nelscott strip utility relocation project.*

*Mayor Anderson warned the citizens that this is a business meeting and asked for no applause.*

*Gordon McMinn, Lincoln City, OR - Read a letter from the Lincoln City Senior Center Board of Directors in response to comments by Mr Hawker and Councilor Ryan at the meeting on January 13, 2014. (See the letter added to the record in agenda packet.) Mayor Anderson confirmed with Mr. McMinn that the seniors are working on a proposed lease.*

*Mayor Anderson added that letters in response to individuals providing citizen comment at a Council meeting are available on the website.*

### E. EMPLOYEE APPRECIATION

#### 1. Edward "Rudy" Blum, Senior Police Officer – 15 years of service

*Withdrawn from the agenda and moved to March 10, 2014 agenda.*

### F. CONSENT AGENDA

*Agenda item number 3 was removed and will be considered at the meeting on February 24, 2014.*

#### 1. SE 48th Street 24" Water Line Change Order Award

**2. Oregon Liquor Control Commission (OLCC) Application for "Additional Privilege"  
– Ashley Inn and Suites**

*Moved for consideration at City Council meeting on February 24, 2014.*

**MOTION:** *Motion to approve agenda item number 1.*

<b>RESULT:</b>	<b>ADOPTED BY VOICE VOTE [UNANIMOUS]</b>
<b>MOVER:</b>	Henry Quandt, Councilor Ward 1
<b>SECONDER:</b>	Roger Sprague, Councilor Ward 3
<b>AYES:</b>	Anderson, Ellingson, Noreikis, Quandt, Sprague, Ryan
<b>EXCUSED:</b>	Gordon Eggleton

**G. SPECIAL ORDER OF BUSINESS**

**3. Appointment to Visitor and Convention Committee – Tory Ward**

*Mayor Anderson introduced this item, noting that she would be filling a "lodging" position on the Visitor and Convention Committee.*

**MOTION:** *Motion to appoint Tory Ward to the Visitor and Convention Committee.*

<b>RESULT:</b>	<b>ADOPTED BY VOICE VOTE [UNANIMOUS]</b>
<b>MOVER:</b>	Roger Sprague, Councilor Ward 3
<b>SECONDER:</b>	Wes Ryan, Councilor Ward 1
<b>AYES:</b>	Anderson, Ellingson, Noreikis, Quandt, Sprague, Ryan
<b>EXCUSED:</b>	Gordon Eggleton

**4. Request for Approval: Cooperative Improvement Agreement - City and Oregon Department of Transportation (ODOT) – For Relocation of Underground Utilities**

*Mr. Hawker provided a short comment as to the City's proposed changes to the IGA. Mr. Hawker recommended approval and he will send to Oregon Department of Transportation and he will return with any additional proposed changes.*

**MOTION:** *Motion to approve the cooperative improvement agreement between the City and the Oregon Department of Transportation for relocation of underground utilities.*

<b>RESULT:</b>	<b>ADOPTED BY VOICE VOTE [UNANIMOUS]</b>
<b>MOVER:</b>	Wes Ryan, Councilor Ward 1
<b>SECONDER:</b>	Gary Ellingson, Councilor Ward 3
<b>AYES:</b>	Anderson, Ellingson, Noreikis, Quandt, Sprague, Ryan
<b>EXCUSED:</b>	Gordon Eggleton

**5. Award of Bid: Nelscott Hwy 101 Utility Relocation**

*Mr. Hawker provided an overview of the proposed award of bid for the project. Lowest bidder is K&E Excavating, Inc. in the amount of \$688,531.75, and he asks that Council authorize an award in that amount plus a 10% contingency conditional upon; 1) Council approving the water/sewer bond resolutions 2014-01 and 2014-02; and 2) a bid protest by the close of business on February 12, 2014.*

**MOTION:** *Motion to award bid on the Nelscott/Hwy 101 utility relocation in the amount specified, and with the conditions specified.*

<b>RESULT:</b>	<b>ADOPTED [UNANIMOUS]</b>
<b>MOVER:</b>	Wes Ryan, Councilor Ward 1
<b>SECONDER:</b>	Roger Sprague, Councilor Ward 3
<b>AYES:</b>	Anderson, Ellingson, Noreikis, Quandt, Sprague, Ryan
<b>EXCUSED:</b>	Gordon Eggleton

**6. Grease Trap Ordinance Restaurant Owner Meeting Update (request to continue to February 24, 2014)**

Continued to March 10, 2014.

## H. CITY MANAGER REPORTS/CITY ATTORNEY DISCUSSION

### 7. Water Bonds

Mr. Hawker notes this item was reviewed at length during the workshop and there is ample documentation in this packet and online, so asked that it be moved forward to a future meeting.

### 8. Other City Manager Reports

None.

## I. PUBLIC HEARINGS/PUBLIC COMMENT

### 9. Public Hearing: to receive public comment on proposed legislative amendments regarding vacation rental dwellings – Planning File ZOA 2013-05 and alternatives (ALT 1 and ALT2).

Mayor Anderson opened the public hearing reading from the public hearing script. The Mayor asked for any Councilors to disclose any abstentions or disqualifications based on conflicts of interest, personal bias, or ex-parte communication. No response. The Mayor asked for anyone present to come forward who wishes to challenge the authority of City Council to consider this matter. Mr. Townsend used a power point presentation to present "part 2" of the VRD ordinance revisions. (See PowerPoint printout attached.)

Councilor Sprague asked if the Planning Commission discussed grand-fathering VRD's that would be in non-compliance. Mr. Townsend responded that they did in the "yes/no" hearings, and noted that basically an existing VRD would be grand-fathered, and details were provided.

Mayor Anderson asked for clarification as Mr. Townsend's response appears to conflict with item 10. Discussion occurred and additional details discussed as to "grand-fathering".

Discussion was held regarding compliance with building codes and coming into compliance, and what triggers an older structure to comply with current building codes.

The following individuals provided testimony:

1. Jane Holbrook, SW 8th Street, Lincoln City, OR (asked Council to consider zoning when considering changes to VRD's)
2. Nick Cecil, 11 Qurt Place, PO Box 174, Brimmon, WA (Spoke in opposition to proposed changes)
3. Lynn Baxter, 6586 Doral Dr. SE, Salem, OR (Spoke in opposition to proposed changes)
4. Joy Wilson, Branch Manager for Oregon Beach Vacations, 2739 SW Coast, Lincoln City, OR - (Spoke in opposition to proposed changes)
5. Lewis Leppe, Toledo, OR - (Spoke in opposition to proposed changes), and agreed with proposed safety standards.
6. Sandy Hecht, Otis, OR - (Spoke in opposition to proposed changes)
7. Ajmer Singh, Monmouth, OR - (Spoke in favor of yes/no zones, and consider the interest of those that live in Lincoln City 24/7)
8. Mark Deason, Vancouver, WA - (Spoke in opposition to proposed changes)
9. Carolyn Ganschow, PO Box 346, Lincoln City, OR - (Spoke in favor of enforcement of safety standards, and that they should be brought current)
10. Barbara Woods, 1835 NW 50th, Lincoln City, OR - (Provided results of a survey that she and her husband completed on Road's End Community - results/information provided to City Recorder)
11. Matt Browne, 1845 NW 30th Street, Lincoln City, OR - (Spoke in opposition to proposed changes)
12. John Iwamura, PO Box 714, Lincoln City, OR - (Spoke in opposition to proposed changes and consensus report)
13. LeAnn Yoder, Sandcastle Cleaning, PO Box 286, Otis, OR, 97368 - (Spoke in opposition to proposed changes)



14. Barry Rice, Portland, OR - (Spoke in favor of the VRD Consensus Report with modifications)
15. Gordon Walker, 4646 SW Beach Ave., Lincoln City, OR - (Spoke in favor of proposed changes)
16. Paul Bell, 6423 NW Logan Road, Lincoln City, OR - (Spoke in opposition to proposed changes)
17. Jim Hoover, 3150 E. Devil's Lake Road, Otis, OR - (Spoke in favor of the Planning Commission's recommendations regarding the "Yes/No" zones. Notes it is fine to regulate, but don't restrict.)
18. Robert Hertert, 6210 SW Haines, Portland, OR, 97219 - (Spoke in opposition to proposed restrictions, and asked that an adequate financial impact study be done on this topic.)
19. Idaliise Putanzu, 1753 NW 37th Street, Lincoln City, OR - (Spoke in opposition to proposed restrictions)
20. Ronald Means, 3737 SW Anchor Ct., Lincoln City, OR - (Spoke in opposition to proposed restrictions)
21. Kip Ward, 4417 SW Hwy 101, Lincoln City, OR - (Spoke in favor of treating the root of the problem, and favored the proposal that he and Jon Oksenholt created.)
22. Marsha Sandman, PO Box 798, Gleneden Beach, OR - (Spoke in opposition to proposed changes.)
23. Ryan Knott, PO Box 289, Otis, OR 97368 - Spoke in opposition to restricting the number of days.)
24. Suzanne Young, Wilsonville, OR - (Asked Mr. Townsend for clarification on "legal non-conforming", spoke in opposition to any restrictions/limitations, and asked that Council consider an impact analysis that measures the dollar value)
25. Jon Oksenholt, 2002 NW 36th Street, Lincoln City, OR - (Spoke in opposition to Alt 1 and 2; and said he would support the "yes/no" zones with grand-fathering included.)
26. Wallace Rogers, 3416 Aldous (sp) Avenue S., Salem, OR - (Spoke in opposition to proposed changes.)

**MOTION:** Motion to continue the public hearing to February 24, 2014, City Council Chambers, 6:00 pm.

<b>RESULT:</b>	<b>ADOPTED BY VOICE VOTE [UNANIMOUS]</b>
<b>MOVER:</b>	Chester Noreikis, Councilor Ward 2
<b>SECONDER:</b>	Henry Quandt, Councilor Ward 1
<b>AYES:</b>	Anderson, Ellingson, Noreikis, Quandt, Sprague, Ryan
<b>EXCUSED:</b>	Gordon Eggleton

Mayor Anderson stated that the record will remain open for additional written testimony, and he read into the record the list of additional names of those who provided written testimony for consideration at this meeting:

1. Perry Freed
2. Debbie and Peter Owen
3. Suzanne Millis
4. Jon Oksenholt
5. William and Michelle Kitto
6. Steve Griffiths
7. Raylene Erickson
8. Karen Brauser
9. Elaine Peterson
10. Helen and Jim Harwood
11. Carol Rush
12. Shannon Reed
13. Norman and Theresa James
14. Kip Ward
15. Judy and John Piper
16. Teresa Fausti
17. Barry and Connie Rice
18. David Hilgemann

19. Ross Smith  
20. Jenny Webster

**10. Public Hearing: to receive public comment on proposed legislative amendments regarding the clear-vision triangle for intersections, alleys and driveways – Planning File ZOA 2013-02.**

*Mayor Anderson opened the public hearing, however due to time constraints, will read the script at the next meeting.*

**MOTION:** *Motion to continue the public hearing to February 24, 2014, City Council Chambers, 6:00 pm.*

<b>RESULT:</b>	<b>ADOPTED BY VOICE VOTE [UNANIMOUS]</b>
<b>MOVER:</b>	Roger Sprague, Councilor Ward 3
<b>SECONDER:</b>	Henry Quandt, Councilor Ward 1
<b>AYES:</b>	Anderson, Ellingson, Noreikis, Quandt, Sprague, Ryan
<b>EXCUSED:</b>	Gordon Eggleton

**11. Public Hearing: to receive public comment on proposed legislative amendments regarding accessory dwelling units – Planning File ZOA 2013-03.**

**MOTION:** *Motion to continue public hearing to February 24, 2014, City Council Chambers, 6:00 pm.*

<b>RESULT:</b>	<b>ADOPTED BY VOICE VOTE [UNANIMOUS]</b>
<b>MOVER:</b>	Henry Quandt, Councilor Ward 1
<b>SECONDER:</b>	Chester Noreikis, Councilor Ward 2
<b>AYES:</b>	Anderson, Ellingson, Noreikis, Quandt, Sprague, Ryan
<b>EXCUSED:</b>	Gordon Eggleton

**12. Public Hearing: to receive public comment on proposed legislative amendments regarding cottage housing developments – Planning File ZOA 2013-06.**

**MOTION:** *Motion to continue the public hearing to February 24, 2014, 6:00 pm.*

<b>RESULT:</b>	<b>ADOPTED BY VOICE VOTE [UNANIMOUS]</b>
<b>MOVER:</b>	Chester Noreikis, Councilor Ward 2
<b>SECONDER:</b>	Henry Quandt, Councilor Ward 1
<b>AYES:</b>	Anderson, Ellingson, Noreikis, Quandt, Sprague, Ryan
<b>EXCUSED:</b>	Gordon Eggleton

**J. COUNCIL DELIBERATIONS**

**13. Council Deliberations: Vacation Rental Dwelling Legislative Amendments (“Yes/No” zones) – Planning Files ZOA 2013-01 and CPA 2013-01 (continued from June 24, 2013, July 22, 2013, October 28, 2013 and January 27, 2014).**

**MOTION:** *Motion to continue Council deliberations to February 24, 2014, City Council Chambers, 6:00 pm.*

<b>RESULT:</b>	<b>ADOPTED BY VOICE VOTE [UNANIMOUS]</b>
<b>MOVER:</b>	Roger Sprague, Councilor Ward 3
<b>SECONDER:</b>	Chester Noreikis, Councilor Ward 2
<b>AYES:</b>	Anderson, Ellingson, Noreikis, Quandt, Sprague, Ryan
<b>EXCUSED:</b>	Gordon Eggleton

**K. ORDINANCES - None**

**L. RESOLUTIONS**

**14. Resolution No. 2014-01: A Resolution of the City of Lincoln City, Oregon Authorizing Financing of Water Projects.**

**MOTION:** *Motion to approve Resolution No. 2014-01.*

<b>RESULT:</b>	<b>ADOPTED [UNANIMOUS]</b>
<b>MOVER:</b>	Roger Sprague, Councilor Ward 3
<b>SECONDER:</b>	Chester Noreikis, Councilor Ward 2
<b>AYES:</b>	Anderson, Ellingson, Noreikis, Quandt, Sprague, Ryan
<b>EXCUSED:</b>	Gordon Eggleton

**15. Resolution No. 2014-02: A Resolution Authorizing an Inter-fund Loan For the City of Lincoln City, Oregon in the 2013-2014 Fiscal Year Budget.**

**MOTION:** *Motion to approve Resolution 2014-02.*

<b>RESULT:</b>	<b>ADOPTED [UNANIMOUS]</b>
<b>MOVER:</b>	Chester Noreikis, Councilor Ward 2
<b>SECONDER:</b>	Henry Quandt, Councilor Ward 1
<b>AYES:</b>	Anderson, Ellingson, Noreikis, Quandt, Sprague, Ryan
<b>EXCUSED:</b>	Gordon Eggleton

**M. ADDITIONAL COMMENTS FROM CITIZENS PRESENT ON NON-AGENDA ITEMS**

*Don William commented that the Beach Bite was rescheduled to February 22 due to weather. It will be at the Eventuary, 4:00 pm to 6:00 pm.*

*Debbie Williams, Lincoln City, OR - Announced a reminder that Family Promise is opening up their thrift store and they need volunteers to work at the temporary thrift store in Taft. The temporary thrift store address is 5030 SE Hwy 101, Lincoln City.*

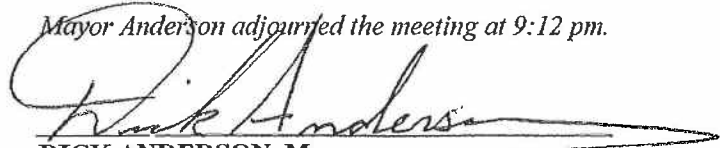
**N. ANNOUNCEMENTS OR COMMENTS BY CITY COUNCIL**

*Councilor Sprague announced that the warming shelters were opened due to the cold weather, and there were 45 people that were housed during that time. In addition, he will be absent for the next meeting.*

*Councilor Ellingson suggested that the Congregational Church be recognized for helping the homeless, however Councilor Sprague notes there are others that also helped and they wished that it not be publicized.*

**O. ADJOURNMENT**

*Mayor Anderson adjourned the meeting at 9:12 pm.*



**DICK ANDERSON, Mayor**

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RESOLUTION NO. 2014-01

**A RESOLUTION OF THE CITY OF LINCOLN CITY,  
OREGON AUTHORIZING FINANCING OF WATER  
PROJECTS.**

WHEREAS, the City is authorized by Oregon Revised Statutes Section 271.390 to enter into financing agreements to finance or refinance real or personal property which the City Council determines is needed, and to authorize obligations evidencing the right to receive the payments due from the City under those financing agreements; and

WHEREAS, it is desirable to obtain up to \$4,000,000 of financing for the costs of capital projects for the City's water system, including the projects listed in the City's Phase I and Phase II "Capital Improvement Projects for Water 2013" (collectively, the "Projects"); and,

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

**Section 1. Determination of Need.** The City Council hereby determines that the Projects are needed.

**Section 2. Financing Authorized.** The City Council hereby authorizes the City to obtain up to \$4,000,000 in principal amount of financing for the Projects pursuant to ORS 271.390. Proceeds of the financing may be used to finance the Projects and to pay costs related to the financing.

**Section 3. Delegation.** The City Manager, the Financial Planner, the Finance Director, or the person designated by the City Manager (each of whom is referred to herein as a "City Official") is hereby authorized, on behalf of the City and without further action by the City Council, to:

- (1) Negotiate, execute and deliver one or more financing agreements (the "Financing Agreements") to accomplish the financing authorized in Section 2. Subject to the limitations of this Resolution, the Financing Agreements may be in such form and contain such terms as the City Official may approve.
- (2) Negotiate, execute and deliver one or more escrow agreements or similar documents (the "Escrow Agreements") that provide for the issuance of one or more series of "full faith and credit obligations" (the "Obligations") that represent ownership interests in the principal and interest payments due from the City under the Financing Agreements. Subject to the limitations of this Resolution, the Escrow Agreements and each series of Obligations may be in such form and contain such terms as the City Official may approve.
- (3) Deem final and authorize the distribution of a preliminary official statement for each series of Obligations, and authorize the preparation and distribution of a final official statement or other disclosure document for each series of Obligations.

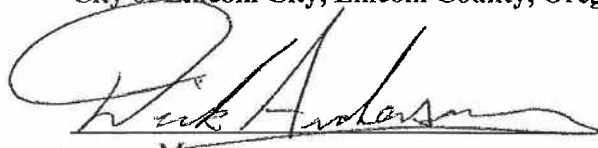
- 1 (4) Undertake to provide continuing disclosure for each series of Obligations in accordance  
2 with Rule 15c2-12 of the United States Securities and Exchange Commission.
- 3 (5) Apply for ratings for each series of Obligations, determine whether to purchase municipal  
4 bond insurance or obtain other forms of credit enhancements for each series of  
5 Obligations, enter into agreements with the providers of credit enhancement, and execute  
6 and deliver related documents.
- 7 (6) Enter into additional covenants for the benefit of the purchasers of the Obligations which  
8 the City Official determines are desirable to obtain more favorable terms for the  
9 Financing Agreements.
- 10 (7) Engage the services of escrow agents or trustees and any other professionals whose  
11 services are desirable for the financing.
- 12 (8) Determine the final principal amount of each Financing Agreement, the interest rate or  
13 rates which each Financing Agreement shall bear, the City's prepayment rights and other  
14 terms of each Financing Agreement and each series of Obligations.
- 15 (9) Solicit competitive bids for the purchase of the Obligations and award the sale to the  
16 bidders offering the most favorable terms to the City, select one or more underwriters to  
17 purchase the Obligations and negotiate the terms of the sales of those Obligations with  
18 those underwriters, or place any Financing Agreement directly with a commercial bank  
19 or other lender.
- 20 (10) Issue any qualifying Financing Agreement as a "tax-exempt bond" bearing interest that is  
21 excludable from gross income under the Internal Revenue Code of 1986, as amended,  
22 (the "Code") and enter into covenants to maintain the excludability of interest on those  
23 Financing Agreements from gross income under the Code.
- 24 (11) If federal law changes to allow federal tax credits, federal interest rate subsidies or other  
25 federal benefits for any Financing Agreements, issue any qualifying Financing  
26 Agreement as a "tax credit bond," "federal subsidy bond" or other obligation that is  
eligible for federal tax credits, federal interest rate subsidies or other federal benefits, and  
enter into any covenants and take any actions that are required to qualify for those federal  
benefits.
- (12) Issue any Financing Agreement as a "taxable bond" bearing interest that is includable in  
gross income under the Code.
- (13) Designate any qualifying Financing Agreement as a "qualified tax-exempt obligation"  
pursuant to Section 265(b)(3) of the Code, if applicable.
- (14) Execute and deliver any other certificates or documents and take any other actions which  
the City Official determines are desirable to carry out this Resolution.

1 **Section 4. Security.** The Financing Agreements may constitute unconditional obligations of  
2 the City, which are payable from all legally available funds of the City. The City Official may  
3 pledge the City's full faith and credit and taxing power within the limitations of Sections 11 and  
4 11b of Article XI of the Oregon Constitution pursuant to ORS 287A.315. In addition, the City  
5 Official may pledge its net water system revenues to pay the amounts due under the Financing  
6 Agreements and may covenant to maintain rates and limit future borrowings secured by net  
7 water system revenues.

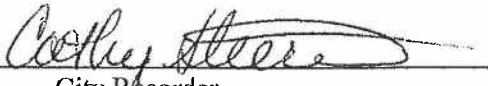
8 **Section 5. Effective Date.** This resolution is effective immediately upon adoption.

9 Dated this 10th day of February, 2014.

10 **City of Lincoln City, Lincoln County, Oregon**

11   
12 Mayor

13 **Attest:**

14   
15 City Recorder

## GENERAL CERTIFICATE

**\$4,000,000**

**City of Lincoln City, Oregon  
Financing Agreement (Water Projects)  
Dated April 17, 2014**

On behalf of the City of Lincoln City, Oregon (the "City"), I hereby certify as follows regarding the above-captioned Financing Agreement (Water Projects) (the "Financing Agreement") between the City and Columbia State Bank (the "Bank"):

1. I am the Financial Planner and I am authorized by Resolution No. 2014-01 adopted by the City Council on February 10, 2014 (the "Resolution") to execute all documents on behalf of the City pertaining to the Financing Agreement. Pursuant to the authority granted by the Resolution, I have, or a duly authorized representative of the City has, taken the actions outlined in Section 3 of the Resolution, as applicable.

2. The City Council meets in regular session at least once each month. The City Council met in regular session on February 10, 2014, the date of adoption of the Resolution; a quorum of City Council members was present and voting. A motion was made to approve the Resolution at the meeting, the motion passed, and the Resolution was properly adopted by the City Council. The Resolution has not been amended and remains in full force and effect. The meeting was called and held in compliance with the laws of the State of Oregon and the rules and procedures of the City. 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 meetings related to the Financing Agreement.

3. At the time of adoption of the Resolution, the names of City Councilors and their respective positions and terms of office were as follows:

<b>City Council</b>	<b>Position</b>	<b>Term Expires</b>
Dick Anderson	Mayor	12/31/2014
Henry Quandt	Ward 1	12/31/2014
Wes Ryan	Ward 1	12/31/2016
Chester Noreikis	Ward 2	12/31/2016
Gordon Eggleton	Ward 2	12/31/2014
Gary Ellingson	Ward 3	12/31/2014
Roger Sprague	Ward 3	12/31/2016

4. The projects financed with the proceeds of the Financing Agreement will be consistent with the City's acknowledged land use regulations and the statewide goals of the Land Conservation and Development Commission of the State of Oregon.

5. The City has complied and will comply with the applicable provisions of the Oregon Local Budget Law which are applicable to the Financing Agreement.

6. The representations and warranties of the City in the Financing Agreement are true and correct in all material respects on this date.

7. Pursuant to ORS 271.390, the estimated weighted average life of the Financing Agreement does not exceed the estimated dollar weighted average life of the projects to be financed with the Financing Agreement. The projects financed with the proceeds of the Financing Agreement are real or personal property.

8. The following certifications are made pursuant to Section 12.1(b) of the Financing Agreement.

(i) There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency having jurisdiction over the City that is pending or, to the best of the knowledge of the City, is threatened against the City to restrain or enjoin the execution of the Financing Agreement, the adoption of the Resolution, or the collection and application of the funds as contemplated by the Resolution and the Financing Agreement, which, if such matter were adversely decided against the City would, in the reasonable judgment of the City, have a material and adverse effect on the ability of the City to pay the amounts due under the Financing Agreement.

(ii) The adoption of the Resolution and the execution and delivery of the Financing Agreement 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 or other agreement or instrument to which the City is a party or by which it is bound.

9. The City has complied in all material respects with all agreements and satisfied all conditions on its part to be performed or satisfied regarding the issuance of the Financing Agreement at or prior to the delivery of the Financing Agreement to the Bank on this date.

Dated as of the 17th day of April, 2014.

**City of Lincoln City, Oregon**

  
\_\_\_\_\_  
Ronald J. Tierney, Financial Planner



## TAX CERTIFICATE

\$4,000,000

**City of Lincoln City, Oregon  
Financing Agreement (Water Projects)  
Dated April 17, 2014**

THIS TAX CERTIFICATE is executed by City of Lincoln City, Oregon (the “City”) as of April 17, 2014, to establish the facts and circumstances that are necessary to determine that its \$4,000,000 Financing Agreement (Water Projects) (the “Agreement”) between the City and Columbia State Bank (the “Bank”) 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. This Tax Certificate is intended to be relied upon as a certification described in Treas. Regs. §1.148-2(b)(2).

In making its representations and certifications in this Tax Certificate and in establishing its expectations regarding uses of Gross Proceeds of the Agreement to assure compliance with Sections 103 and 141 to 150 of the Code, the City has relied on representations and certifications of other parties. Based on the various roles and responsibilities of such other parties with respect to the certified matters, the City believes that such reliance is reasonable and prudent. The City is unaware of any facts or circumstances that would cause it to question the accuracy or reasonableness of any such certification.

The representations of the City expressed in this Tax Certificate may be relied upon by Special Counsel in connection with the rendering of any opinion with respect to the Agreement.

Capitalized terms that are used, but are not defined, in body of this Tax Certificate are defined in Section 9 of this Tax Certificate.

### **SECTION 1. Basic Facts and Expectations**

#### 1.1 General Representations about the City and the Agreement.

- (A) Due Inquiry. The undersigned is a duly authorized officer of the City, executes this Tax Certificate on behalf of the City, has made due inquiry with respect to and is fully informed as to matters set out in this Tax Certificate, and makes the certifications herein in good faith. To the best of the undersigned’s knowledge and belief, such facts, estimates and circumstances are true, correct, and complete, and the expectations of the City stated herein are reasonable.
- (B) Authorization for Issuance. The Agreement is a full faith and credit obligation of the City payable from any and all of its legally available taxes, revenues and other funds. The Agreement is issued under the provisions of the Constitution and laws of the State of Oregon, including Oregon Revised Statutes Sections 271.390, 287A.315, and Resolution No. 2014-01 adopted by the City Council on February 10, 2014.
- (C) The City. The City is duly organized and existing under and by virtue of the laws of the State of Oregon. The City has the authority to exercise the power of eminent domain in furtherance of its governmental purposes, police power, and the power to levy taxes within its jurisdiction; as such, the City constitutes a political subdivision of the State of Oregon.

- (D) Purpose of the Agreement. The Agreement is being issued for the following purposes:
- (1) to finance the costs of capital projects for the City's water system which include the projects listed in the City's Phase I and Phase II "Capital Improvement Projects for Water 2013" (collectively, the "Projects"); and
  - (2) to pay certain legal and financing costs of issuance of the Agreement.

The City covenants to use the proceeds of the Agreement solely for the above-described purposes, unless it consults with Special Counsel to determine that the desired use of proceeds for other than the above-described purposes will not adversely affect the exclusion from gross income of interest on the Agreement for federal income tax purposes.

- (E) Issue Price. The Bank is delivering good funds in exchange for the Agreement on the date hereof. In preparing this Tax Certificate, the City has relied upon certain information provided by the Bank in its Certificate Regarding No Reoffering dated April 17, 2014 and executed in connection with the issuance of the Agreement. Based on the Certificate Regarding No Reoffering, the issue price of the Agreement is \$4,000,000.

#### 1.2 Funds and Accounts Created.

- (A) Debt Service Account. The City may establish a debt service account (the "Debt Service Account"). If created, the Debt Service Account will be used primarily to achieve a proper matching of revenues of the City and payment of debt service on the Agreement within each Bond Year, and amounts deposited to the Debt Service Account will be depleted during each Bond Year, except for a reasonable carryover amount, if any, not to exceed the greater of (i) the earnings on the funds for the immediately preceding Bond Year, or (ii) one-twelfth (1/12<sup>th</sup>) of the principal and interest payments on the Agreement for the immediately preceding Bond Year. The Debt Service Account (to the extent amounts deposited therein will be expended within twelve (12) months of receipt to pay debt service on the Agreement or redeem the Agreement) is referred to herein as the "*Bona Fide Debt Service Fund*".
- (B) No Negative Pledges. There are no amounts held under any agreement to maintain amounts at a particular level for the direct or indirect benefit of the holders of the Agreement or guarantor of the Agreement, if any, excluding for this purpose amounts in which the City (or a substantial beneficiary) may grant rights that are superior to the rights of the holders of the Agreement or guarantor of the Agreement, if any, and amounts that do not exceed reasonable needs for which they are maintained and as to which the required level is tested no more frequently than every six (6) months and that may be spent without any substantial restriction other than a requirement to replenish the amount by the next testing date.
- (C) No Other Funds or Accounts. Except as set forth in this Section 1.2, the City has not created or established nor intends to create or establish any sinking fund, debt service reserve fund, pledged fund, or similar fund, including without limitation, any arrangement under which money, securities or obligations pledged directly or indirectly to secure the Agreement or any contract securing the Agreement or any arrangement providing for compensating balances to be maintained by the City with any holder of the Agreement.

**SECTION 2. Sources and Uses of Proceeds**

2.1 Sale Proceeds Received by the City.

(A) The Sale Proceeds actually or constructively received by the City from the sale of the Agreement are as follows:

Principal Amount of Agreement	\$4,000,000.00
<b>Sale Proceeds of Agreement</b>	<b>\$4,000,000.00</b>

(B) The Agreement is dated as of the Date of Issue and the City will not receive any accrued interest on the Agreement.

2.2 Uses of Sale Proceeds.

(A) The Sale Proceeds received by the City from the sale of the Agreement will be allocated to the following uses in the following amounts:

Project	\$3,968,500.00
Bank's Fee	1,500.00
Bank's Legal Fee	1,200.00
Special Counsel Fee (estimated)	13,000.00
Financial Advisor	<u>15,000.00</u>
MDAC Fee	<u>800.00</u>
<b>Total Uses of Sale Proceeds</b>	<b>\$4,000,000.00</b>

(B) No Overissuance. The amount of Sale Proceeds of the Agreement, together with anticipated investment earnings thereon, does not exceed the expected total amount necessary for the governmental purposes described above (*i.e.*, financing the costs of the Projects and paying the costs of issuance of the Agreement.).

**SECTION 3. Expenditure of Agreement Proceeds**

3.1 Tax Accounting for Expenditures of Agreement Proceeds. In general, any reasonable, consistently applied accounting method may be used to account for expenditures of proceeds of the Agreement. Reasonable accounting methods for allocating funds from different sources to expenditures for the same governmental purpose, include any of the following methods if consistently applied: a specific tracing method; a gross proceeds spent first method; a first-in, first-out method; or a ratable allocation method.

3.2 Segregated Accounts, Investment Records, and Documentation of Expenditures. The City will segregate or account for the Agreement proceeds apart from other funds of the City and will maintain necessary investment and expenditure records in order to demonstrate the investment and expenditure of Agreement proceeds and assure compliance with the Federal tax requirements for the Agreement.

3.3 Allocations of Proceeds to Expenditures. Any allocation of Agreement proceeds must be made, if at all, before the later of 18 months after the later of the date on which an expenditure is paid or, in the case of an expenditure for a Project, the date the Projects is placed in service, and in any event, not later than the date sixty (60) days after the fifth anniversary of the Date of Issue or the date sixty (60) days after the retirement of the Agreement, if earlier.

- 3.4 Expected 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 Agreement on costs of Capital Projects by October 17, 2014; (ii) to allocate at least 85% of the Net Sale Proceeds of the Agreement to costs of Capital Projects by April 17, 2017; and (iii) that the completion of the Projects and allocation of the Net Sale Proceeds of the Agreement to costs of Capital Projects will proceed with due diligence.
- 3.5 Related Parties and Expenditures. The costs of the Projects to be paid from the Gross Proceeds of the Agreement do not include payments to be made to Related Parties. The City understands that any payment of Gross Proceeds of the Agreement to a Related Party of the City is not an expenditure of those Gross Proceeds for federal tax purposes. Accordingly, the City will continue to track investments of proceeds of the Agreement and expenditures of the proceeds of the Agreement until paid to parties that are not Related Parties of the City.
- 3.6 No Refunding. No proceeds of the Agreement will be used to pay principal, interest, premium, or prepayment penalties due on any borrowing.
- 3.7 No Working Capital. Except for De Minimis Working Capital Items, no Working Capital Expenditures of the City or any Related Party are being financed directly or indirectly with Proceeds of the Agreement.
- 3.8 Limits on Reimbursing Pre-issuance Expenditures. Proceeds of the Agreement 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 Agreement. 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 Agreement.
  - (C) Reimbursement Resolution. Expenditures that are described in a reimbursement resolution or other declaration of official intent that satisfy the requirements of Treas. Regs. §1.150-2 and that 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 Agreement if Proceeds are allocated to reimburse such expenditure 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 paid and the date Proceeds are allocated to the expenditure exceeds three years.
  - (D) Recent Expenditures. Expenditures that are paid within 60 days prior to the Date of Issue.

The City reasonably expects to allocate \$65,859 of the Sale Proceeds of the Agreement to reimburse itself for engineering design costs for the Nelscott project paid prior to the Date of Issue. All such reimbursements comply with the requirements described in this Section 3.8.

## SECTION 4. Arbitrage and Yield Restriction

- 4.1 Arbitrage and Rebate Compliance. The City acknowledges that the continued non-inclusion of interest on the Agreement depends, in part, upon compliance with the arbitrage limitations imposed by Section 148 of the Code, including the yield restriction requirements described in Section 4.3 below and the rebate requirements described in Section 5 below. The City hereby agrees and covenants that it shall not permit at any time or times any of the Proceeds of the Agreement or other funds of the City to be used directly or indirectly, to acquire any asset or investment, the acquisition of which would cause the Agreement to be an “arbitrage bond” for purposes of Section 148 of the Code. The City further agrees and covenants that it shall do and perform all acts and things necessary in order to assure that the arbitrage and rebate requirements of Section 148 of the Code are met. To that end, the City shall take the actions described in Sections 4 and 5 of this Tax Certificate with respect to the investment of Proceeds on deposit in the funds and accounts established in connection with the Agreement.
- 4.2 Arbitrage Yield. The yield on the Agreement has been calculated by D.A. Davidson & Co., as financial advisor to the City, to be 2.851718% using the economic accrual method required by Treas. Regs. §1.148-4(a). The Agreement is a fixed yield issue, and the Agreement yield will not be affected by subsequent unexpected events, unless the City enters into a “qualified hedge” meeting the requirements of Treas. Regs. §1.148-4(h) or into any transaction transferring, waiving or modifying any right that is part of the terms of the Agreement. The City will consult with Special Counsel prior to entering into any of the foregoing transactions.
- 4.3 Yield Restriction.
- (A) Investment Restrictions. The City will not invest the Gross Proceeds of the Agreement in Investments at yields that are “materially higher” ( $\frac{1}{8}\%$ ) than the Agreement yield except as set forth in this Section. Proceeds of the Agreement and the amounts on deposit in the funds and accounts relating to the Agreement may be invested as follows:
- (1) Temporary Period for Projects Fund. Proceeds of the Agreement used to finance the cost of the Projects may be invested without Yield Restriction until April 17, 2017 (the three year anniversary of the Agreement), thereafter, shall be invested at a yield not in excess of the yield on the Agreement plus one-eighth of one percentage point ( $\frac{1}{8}\%$ ). Investment earnings on obligations acquired with such proceeds may be invested without Yield Restriction for a period not exceeding three (3) years from the date hereof or one (1) year from the receipt thereof, whichever is longer, and, thereafter, shall be invested at a yield not in excess of the yield on the Agreement plus one-eighth of one percentage point ( $\frac{1}{8}\%$ ). Proceeds derived from the sale of the Agreement that are used to reimburse the City for certain expenditures relating to the Projects are treated as immediately expended for federal income tax purposes and are not considered invested.
- (2) Temporary Period for Costs of Issuance. Proceeds of the Agreement used to pay costs of issuance may be invested without Yield Restriction until expended, for a period not to exceed thirteen (13) months from the date hereof. Investment earnings on such amounts that are retained in such fund may be invested without Yield Restriction for a period not to exceed one (1) year from the date of receipt of the amount earned.

- (3) Temporary Period for Bona Fide Debt Service Fund. Amounts deposited in the *Bona Fide Debt Service Fund* may be invested without Yield Restriction for a period not to exceed thirteen (13) months from the date of deposit of such amounts to such funds. Earnings on such amounts that are retained in such fund may be invested without Yield Restriction for a period not to exceed one (1) year from the date of receipt of the amount earned.
  - (4) Temporary Period for Investment Earnings. Investment earnings received on investment of Gross Proceeds of the Agreement, other than the investment earnings described in Section 4.3(A)(1) above, may be invested without Yield Restriction for a period not to exceed one (1) year from the date of receipt.
  - (5) Minor Portion. Amounts described in this Section 4.3 that are subject to Yield Restriction as described above may be invested without Yield Restriction to the extent such amounts, in the aggregate, do not exceed the lesser of five percent (5%) of the Sale Proceeds of the Agreement or \$100,000 (the "Minor Portion").
- (B) Yield Restricted Moneys. Proceeds of the Agreement and investment earnings thereon that must be Yield Restricted pursuant to this Section 4.3 will either (i) be invested at a yield not materially higher ( $\frac{1}{8}\%$ ) than the yield on the Agreement or (ii) be invested in Tax-Exempt Obligations that do not constitute investment-type property.
- (C) Yield Reduction Payments. Notwithstanding the provisions of this Section 4.3 that require the City to invest Proceeds of the Agreement and investment earnings thereon at a yield not in excess of the yield on the Agreement, the yield on certain Investments acquired with Proceeds of the Agreement will not be considered to be higher than the applicable yield limitation above if the City makes Yield Reduction Payments. The City covenants to consult with Special Counsel or its arbitrage consultant prior to making any Yield Reduction Payments with respect to the Agreement.
- (D) Fair Market Value Investments. All Investments of Gross Proceeds will be made on an arm's-length, Fair Market Value basis. In the event the City acquires an Investment Contract with any of the Proceeds of the Agreement, the City and the provider of the Investment Contract will make certain representations in compliance with Treas. Regs. §1.148-5(d) and (e). As of the date hereof, the City has not invested, and does not expect to invest, any proceeds of the Agreement pursuant to an Investment Contract.

## **SECTION 5. Rebate**

- 5.1 Calculation of Rebate Amount. Section 148(f) of the Code requires the payment/rebate to the United States of the excess of the amount earned on the investment of Gross Proceeds in Nonpurpose Investments over the amount that would have been earned on such investments had the amount so invested been invested at a rate equal to the yield on the Agreement, together with any income attributable to such excess. Except as provided below, all of the funds and accounts established in connection with the Agreement, and all other amounts treated as Gross Proceeds, to the extent funded with proceeds of the Agreement, are subject to this requirement. In order to meet the rebate requirement, the City agrees and covenants that subject to any applicable exceptions described in Sections 5.2 below, the City shall perform, or engage Hawkins Delafield & Wood LLP or another nationally-recognized firm to perform, the necessary and appropriate rebate and/or penalty calculations that may be required to be made from time to time with respect

to the Agreement, as set forth in Section 148(f) of the Code, to determine the Rebate Amount on each Computation Date.

5.2 Rebate Exceptions. In connection with the rebate requirement the following exceptions may apply to the Agreement:

- (A) Bona Fide Debt Service Fund Rebate Exception. Amounts earned on moneys in the *Bona Fide* Debt Service Fund shall not be taken into account for a Bond Year in determining the Rebate Amount because the average annual debt service on the Agreement does not exceed \$2,500,000.
- (B) Six-Month Exception to Rebate. An issue is treated as meeting the rebate requirement of Section 148 of the Code if the Gross Proceeds of the bond issue are allocated to expenditures for the governmental purposes of the issue within the six (6) month period beginning on the Date of Issue, and the rebate requirement is met with respect to amounts not required to be spent within six (6) months (excluding earnings on the *Bona Fide* Debt Service Fund). An additional six (6) months during which Gross Proceeds of the issue may remain unexpended is permitted, if the amount which remains unexpended does not exceed the lesser of \$100,000 or five percent (5%) of the proceeds of the issue. For purposes of this exception, the term Gross Proceeds does not include amounts in the *Bona Fide* Debt Service Fund; amounts in a Reasonably Required Reserve or Replacement Fund; amounts that, as of the Date of Issue of the Agreement, are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the end of the six (6) month spending period; amounts representing Sale Proceeds or Investment Proceeds derived from payments under any purpose investment of the Agreement; and amounts representing repayments of grants financed by the Agreement. Moreover, expenditures for the governmental purpose of the Agreement include payments for interest on, but not principal of, the Agreement.
- (C) Eighteen-Month Exception to Rebate. An issue is treated as meeting the rebate requirement if the Gross Proceeds of the Agreement are allocated to expenditures for a governmental purpose of the bond issue in accordance with the following schedule measured from the Date of Issue of the Agreement:
  - (1) Fifteen percent (15%) within six (6) months;
  - (2) Sixty percent (60%) within twelve (12) months; and
  - (3) One hundred percent (100%) within eighteen (18) months.

The spending requirements for the first two (2) spending periods will be measured by including in the amount of gross proceeds investment earnings reasonably expected to be received in respect of such amounts based on the reasonable expectations of the City on the Date of Issue of the Agreement. The spending requirement with respect to the third and final spending period is measured by reference to actual earnings. In addition, the rebate requirement must be satisfied with respect to Gross Proceeds of the Agreement that are not eligible to be included in the Eighteen-Month Exception to Rebate.

Gross Proceeds, for purposes of this exception to the rebate requirement, does not include amounts in the *Bona Fide* Debt Service Fund; amounts in a Reasonably Required Reserve or Replacement Fund; amounts that, as of the Date of Issue, are not reasonably

expected to be Gross Proceeds but that become Gross Proceeds after the end of the eighteen (18) month spending period; amounts representing Sale or Investment Proceeds derived from payments under any purpose investment of the issue; and amounts representing repayments of grants financed by the Agreement.

Expenditures for a governmental purpose of a bond issue include payments for interest, but not principal, on the issue, and for principal or interest on another issue of obligations, unless such payments would cause the issue to be a refunding issue.

The Eighteen-Month Exception to Rebate will be considered satisfied if the City exercises due diligence to complete the Projects and the amount of the unexpended proceeds does not exceed the lesser of three percent (3%) of the issue price of the Agreement or \$250,000. The final spending requirement will be considered satisfied if the amount of Gross Proceeds remaining unexpended as of the eighteen (18) month anniversary date is a Reasonable Retainage amount and such amount is allocated to expenditures within thirty (30) months of the Date of Issue of the Agreement.

(D) Exception for Available Construction Proceeds of Construction Bonds Spent Within Two (2) Years.

(1) Two-Year Construction Bond Exception to Rebate. A Construction Issue is treated as meeting the rebate requirement if those proceeds are allocated to expenditures for governmental purposes of the bond issue in accordance with the following schedule, measured from the Date of Issue of the Agreement:

- (a) Ten percent (10%) within six (6) months;
- (b) Forty-five percent (45%) within twelve (12) months;
- (c) Seventy-five percent (75%) within eighteen (18) months; and
- (d) One hundred percent (100%) within twenty-four (24) months.

The Two-Year Construction Bond Exception to Rebate is deemed satisfied if the City exercises due diligence to complete the Projects and the unexpended amount does not exceed the lesser of three percent (3%) of the issue price of the Agreement or \$250,000. The fourth spending requirement is considered satisfied if the unexpended amount is attributable to a Reasonable Retainage and if such amount is allocated to expenditures within three (3) years of the Date of Issue. Expenditures for the governmental purpose of an issue include payments for interest, but not principal, on the issue, and for principal or interest on another issue of obligations, unless those payments cause the issue to be a refunding issue.

For purposes of determining compliance with the spending requirements as of the close of each of the first three (3) spending periods, Available Construction Proceeds include the amount of future earnings that the City reasonably expected as of the Date of Issue of the Agreement. The spending requirement with respect to the fourth and final spending period is measured by reference to actual earnings.



- (2) Bifurcated Issue. If an election has been made to bifurcate the issue into a Construction Issue and a non-Construction Issue, the two (2) portions will be treated as separate issues for purposes of computing the Rebate Amount. An issue may not be bifurcated into a Construction Issue and an issue which satisfies the Eighteen-Month Exception to Rebate. In addition, an issue may not be bifurcated to include Construction Expenditures in the non-Construction Issue. An issue which comprises both refunding bonds and new money bonds is considered to be bifurcated by operation of law.
- (3) Elections With Respect to the Two-Year Construction Bond Exception With Respect to the Agreement allocable to the Project:
- (a) The City reasonably expects that at least seventy-five percent (75%) of the Available Construction Proceeds will be applied in respect of Construction Expenditures for property which is owned by a governmental entity.
  - (b) The City does not elect to bifurcate the Agreement into a Construction Issue and a non-Construction Issue.
  - (c) The City does not elect to pay the one and one-half percent (1½%) penalty at the close of each semi-annual spending period in respect of which the spending requirement has not been satisfied.
  - (d) The City does not elect to pay the three percent (3%) penalty with respect to any unexpended Available Construction Proceeds remaining upon the completion of the Projects.

5.3 Payment to United States. In connection with the rebate requirement the City shall make the following payments:

- (A) The City will compute the Rebate Amount as of each Computation Date. The first Computation Date is April 17, 2019. The date that the Agreement is discharged will be the final Computation Date and the final rebate installment payment must be made with respect to the final Computation Date.
- (B) 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 Agreement when added to the future value of all previous rebate payments made for the Agreement.
- (C) 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 Agreement, equals 100% of the Rebate Amount for the Agreement. Future value will be determined in compliance with the applicable provisions of the Code.
- (D) 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.

- (E) Yield Reduction Payments, if any, shall be made at the same time and in the same manner as the payment of the Rebate Amount as described in this section 5.3.

## **SECTION 6. Federal Guarantee Prohibition**

6.1 No Impermissible Federal Guarantees. The Agreement is not “federally guaranteed” and the City will not cause or allow the Agreement to become “federally guaranteed.” Unless otherwise excepted under Section 149(b) of the Code, the Agreement will be considered “federally guaranteed” if:

- (A) The payment of principal and interest with respect to the Agreement 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 Agreement 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 Agreement is otherwise indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof).

6.2 Exceptions described in Code Section 149(b) include, but are not limited to: (i) any guarantee by the Federal Housing Administration, the Veterans’ Administration, Fannie Mae, Freddie Mac, or Ginnie Mae; (ii) any guarantee related to investments of Gross Proceeds of the Agreement during an initial temporary period until needed for the governmental purpose of the Agreement, investments as part of a *Bona Fide Debt Service Fund*, investments of a Reasonably Required Reserve or Replacement Fund, investments in bonds issued by the United States Treasury, investments in refunding escrow funds or certain other investments permitted under the Treasury Regulations; or (iii) any guarantee (other than an investment in a Federally insured deposit or account referenced in Code Section 149(b)(3)(C)(ii)) of private activity bonds for a qualified residential rental projects under Section 142(a)(7) of the Code, a housing program obligation under Section 11(b) of the United States Housing Act of 1937, or a qualified mortgage bond or a qualified veterans’ mortgage bond under Section 143 of the Code.

## **SECTION 7. Private Use Limitation**

7.1 Ownership/Lease/Sale. While the Agreement remains outstanding, the Projects will be owned by the City or another state or local governmental unit and will not be owned by or leased to any person who is not a state or local governmental unit. The Projects will not be sold or otherwise disposed of, in whole or in part, to a transferee that is not a Related Party to or an agent of the City prior to the final maturity date of the Agreement.

7.2 No Private Loans. None of the proceeds of the Agreement is or will be used, directly or indirectly, to make loans to persons other than a state or local governmental unit while the Agreement remains outstanding. The City will not make any private loans from the proceeds of

the Agreement after the Date of Issue unless the City has received the written opinion of Special Counsel that such private loan will not adversely affect the exclusion from gross income of interest on the Agreement for federal income tax purposes.

7.3 Limitations on Private Use. At all times while the Agreement remains outstanding, less than the lesser of \$15,000,000 or ten percent (10%) of either: (a) the aggregate amount of the proceeds of the Agreement is used or expected to be used, directly or indirectly, in a trade or business carried on by a person other than a state or local governmental unit (“Private Use”) or (b) the present value debt service on the Agreement during the term thereof is, under the terms of the Agreement or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for Private Use or in payments in respect of property used or to be used for Private Use or is to be derived from payments, whether or not to the City, in respect of property or borrowed money used or to be used for Private Use. Payments by a person for use of proceeds do not include the portion of any payment that is properly allocable to the payment of ordinary and necessary expenses (as defined under Section 162 of the Code) directly attributable to the operation and maintenance of the financed property used by that person. For this purpose, general overhead and administrative expenses are not directly attributable to those operations and maintenance.

7.4 Unrelated/Related Disproportionate Use. At all times while the Agreement remains outstanding, less than the lesser of \$15,000,000 or five percent (5%) of either: (a) the proceeds of the Agreement were or will be used, directly or indirectly, in the trade or business of a person other than a state or local governmental unit that is unrelated or related and disproportionate to the governmental use of the property being financed, including any private loan financing described in Section 7.2 which meets this test or (b) the present value debt service on the Agreement during the term thereof is, under the terms of the Agreement or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for Private Use or in payments in respect of property used or to be used for Private Use or is to be derived from payments, whether or not to the City, in respect of property or borrowed money used or to be used for Private Use. For purposes of this Tax Certificate, proceeds of the Agreement is allocable to a disproportionate related Private Use to the extent that the proceeds of the Agreement which are to be used to finance property used by a nongovernmental person in a trade or business which is related to the governmental use of the property exceeds the proceeds of the Agreement which are to be used for the governmental use to which such Private Use relates.

7.5 Private Use Defined.

(A) For purposes of Section 7 of this Tax Certificate, Private Use consists of any contract or other arrangement including, without limitation, leases, management contracts, guarantee contracts, take or pay contracts, put or pay contracts, output contracts, research contracts, or naming rights contracts which provides for use of any portion of the Projects by a person or persons who are not state or local governments on a basis different than the general public. The City will not enter into any such contract or arrangement unless the City has obtained an opinion from Special Counsel that such contract or arrangement does not adversely affect the exclusion from gross income of interest on the Agreement for federal income tax purposes.

(B) Use by State or Local Governmental Units. The Projects may be used by or on behalf of a state or local governmental unit provided that there is no transfer or flow-through of such use to any person or entity carrying on any trade or business that does not constitute General Public Use (as defined in subsection (c) below).

- (C) General Public Use. The Projects may be used by any person or entity, including any person or entity carrying on any trade or business, if such use constitutes “General Public Use.” General Public Use is any arrangement providing for use that is available to the general public at either (i) no charge, or (ii) on the basis of rates that are generally applicable and uniformly applied. For this purpose, rates may be treated as generally applicable and uniformly applied even if (i) different rates apply to different classes of users, such as volume purchasers, if the differences in rates are customary and reasonable, or (ii) a specially negotiated rate arrangement is entered into, but only if the user is prohibited by federal law from paying the generally applicable rates, and the rates established are as comparable as reasonably possible to the generally applicable rates.
- (D) No Priority Rights or Other Preferential Benefits. No portion of the Projects will be used by any person or entity under any arrangement that conveys priority rights or other preferential benefits.
- (E) 200 Days General Public Use Arrangements. The Projects may be used by any person or entity under any arrangement that is available to members of the general public and that does not otherwise convey priority rights or other preferential benefits if the term of the use under the arrangement, including all renewal options, is not greater than 200 days. For this purpose, a right of first refusal to renew use under the arrangement is not treated as a renewal option if (i) the compensation for the use under the arrangement is redetermined at generally applicable, fair market value rates that are in effect at the time of renewal, and (ii) the use of the financed property under the same or similar arrangements is predominantly by natural persons who are not engaged in a trade or business.
- (F) 50 Days Negotiated Arm’s-length Use Arrangements. The Projects may be used by any person or entity under any arrangement (other than as an owner) for a term (including renewal options) not longer than 50 days, provided the arrangement is negotiated at arm’s-length, the compensation paid for the use is at fair market value and the Projects are not being financed for the principal purpose of such private trade or business use.
- (G) 100 Days Limited General Public Use Arrangements. The Projects may be used by any person or entity under any arrangement for use (other than as an owner) for a term (including renewal options) of not longer than 100 days, provided that the arrangement would be General Public Use except that it is not available on the same basis for use by natural persons because generally applicable and uniformly applied rates are not reasonably available to natural persons not engaged in a trade or business and the Projects are not being financed for the principal purpose of such private trade or business use.
- (H) Incidental Use Arrangements. The Projects or any portion thereof may be used by any person or entity where the use is incidental if, except for vending machines, pay telephones, kiosks and similar uses, the use does not involve the transfer of possession and control of space separated from other areas of the facility by walls, partitions, barriers and the like, the nonpossessory use is not functionally related to any other use of such facility by the same person (other than a different nonpossessory use) and all nonpossessory uses do not in the aggregate exceed 2½% of the Projects or such facility.

7.6 Management and Operations Contracts. The City will manage and operate the Projects. The City has not been a party to any management contract with any person or entity for management services to be provided to the City at or with respect to the Projects. The City will not enter into

any such contract unless it consults with Special Counsel to determine that such contract either (i) satisfies the requirements of a “qualified management contract,” the rules for which are currently embodied in Revenue Procedure 97-13, or (ii) does not otherwise adversely affect the exclusion of interest on the Agreement from gross income for federal income tax purposes.

- 7.7 Monitoring and Measurement of Private Activity. The City covenants to monitor the amount of Private Use at the Projects to ensure that the aggregate amount of such Private Use at the Projects will not exceed the applicable limits described in this Section 7. The City has established or will establish procedures for monitoring the amount of Private Use at each of the Projects.
- 7.8 Change in Use. While the City does not expect that any of the property financed with the proceeds of the Agreement will be used in a manner that could cause the Agreement to become a private activity bond, in the event that circumstances change and a use is made of the property that could result in the Agreement becoming a private activity bond, the City will consult with its Special Counsel and will take any remedial actions required by Treas. Regs. §1.141-12.

## **SECTION 8. General Representations**

- 8.1 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 Agreement, (b) are sold pursuant to the same plan of financing together with the Agreement, and (c) are reasonably expected to be paid out of substantially the same source of funds as the Agreement. The entire Agreement is being sold at the same time, pursuant to the same plan of financing and reasonably expected to be paid from substantially the same source of funds. Accordingly, the Agreement is a single issue of obligations for federal income tax purposes relating to the exclusion from gross income of interest on the Agreement. No other bonds of the City will be treated as part of the same issue as the Agreement for purposes of complying with federal tax law requirements.
- 8.2 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 Agreement, including an interest rate swap, an interest rate cap, a futures contract, a forward contract, or an option.
- 8.3 No Replacement Proceeds. No portion of the Proceeds of the Agreement 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.
- 8.4 No Hedge Bonds. The Agreement is not a “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 Agreement within three years from the Date of Issue and will not invest more than 50% of the Proceeds of the Agreement in nonpurpose investments having a substantially guaranteed yield for four years or more.
- 8.5 No Abusive Arbitrage Device. The Agreement is not being issued for a term longer than reasonably necessary to carry out the legitimate governmental purposes thereof, nor are the Agreement being issued earlier or in greater amounts than reasonably necessary to accomplish such governmental purposes. The Agreement is not and will not be part of a transaction or series of transactions that attempts to circumvent the provisions of Section 148 of the Code, and the Treasury Regulations promulgated thereunder, enabling the City or any Related Party to exploit

the difference between tax-exempt and taxable interest rates to gain a material financial advantage.

- 8.6 No Early Issuance. The Date of Issue has been determined solely on the basis of bona fide financial reasons, in accordance with ordinary financial practices in financing similar expenditures, and has not been determined with a view to prolonging the period between the issuance of the Agreement and expenditure of the proceeds thereof.
- 8.7 No Other Replacement Proceeds. No portion of the proceeds of the Agreement will be used as a substitute for other moneys that were otherwise to be used to finance the Projects and that have been or will be used to acquire directly or indirectly any Investment producing a Yield in excess of the Yield on the Agreement. In addition, the term of the Agreement is not longer than is reasonably necessary for the governmental purpose of the issue, based on the ability of the City to meet all its financial obligations including payment of debt service on the Agreement and the anticipated revenues of the City. In addition, the weighted average maturity of the Agreement does not exceed 120% of the average reasonably expected economic life of the Projects financed by the Agreement.
- 8.8 Document Retention. The City will retain all records necessary to establish the uses and investment of the Gross Proceeds of the Agreement until the date that is four (4) years after the latest of the date of final maturity of the Agreement, or the final maturity or redemption date of any obligations, or series of obligations, that refinance the Agreement. Such records include, but are not limited to, the transcript for the Agreement, including this Tax Certificate, the IRS Form 8038-G, all investment records applicable to the investment of Gross Proceeds of the Agreement before expenditure, all construction contracts and invoices detailing the costs paid from the Gross Proceeds of the Agreement, all records evidencing timing and expenditure of Gross Proceeds of the Agreement, any rebate calculations or refund requests filed with respect to the Agreement, including all Forms 8038-T and 8038-R, and all contracts related to use of the Projects financed with Gross Proceeds of the Agreement, including leases, management contracts, and services contracts that relate to the uses of the Projects.
- 8.9 No Pooling. The City does not expect to use and will not use the Proceeds of the Agreement to make or finance loans to two or more ultimate borrowers.
- 8.10 Registered Form. The Agreement is being issued in registered form in accordance with Section 149(a) of the Code.
- 8.11 Bank Qualification. The City hereby designates the Agreement 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 2014 will not exceed \$10,000,000. For this purpose, the City can disregard certain private activity bonds and current refunding bonds to the extent that the amount of the refunding bond does not exceed the outstanding amount of the bonds being refunded.
- 8.12 Survival of Defeasance. Notwithstanding anything in this Tax Certificate or any other provisions of the Resolution to the contrary, the obligation to remit the Rebate Amount to the Treasury and to comply with all other requirements contained in this Tax Certificate shall survive the defeasance or payment in full of the Agreement.
- 8.13 Compliance with Code. The City covenants to comply with the applicable provisions of the Code relating to the Agreement. The City covenants that it shall at all times do and perform all acts and

things necessary in order to assure that interest paid on the Agreement shall, for purposes of federal income taxation, be not included in gross income. The City acknowledges that the covenants and conditions set forth in this Tax Certificate are based upon the Code and Treasury Regulations as they exist on the date hereof and that the Code or Treasury Regulations may be subsequently interpreted or modified by the federal government in a manner which is inconsistent with the covenants set forth herein. The City agrees that any such subsequent modification or interpretation of the Code or Treasury Regulations will be deemed a requirement that must be met pursuant to the general tax covenant set forth above. The City shall not be required to comply with the requirements of this Tax Certificate to the extent that, in the opinion of Special Counsel, compliance with such requirements is not necessary to maintain the tax-exempt status of the Agreement.

## **SECTION 9. Definitions**

**“Available Construction Proceeds”** means an amount equal to the Sale Proceeds of the Agreement, plus all investment earnings received from the investment of the Sale Proceeds of the Agreement prior to being spent, less the amount of the proceeds of the Agreement used to pay the costs of issuance of the Agreement, the amount of Sale Proceeds deposited into a Reasonably Required Reserve or Replacement Fund, and the investment earnings on the Sale Proceeds deposited into a Reasonably Required Reserve or Replacement Fund.

**“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 Agreement 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 Agreement for the immediately preceding Bond Year.

**“Bond Year”** means each one year period that ends on April 17, unless the City elects a different Bond Year. The first Bond Year ends April 17, 2015.

**“Capital Expenditure”** shall mean any cost of a type that is properly chargeable to capital account (or would be so chargeable with a proper election) under general federal income tax principles. For example, costs incurred to acquire, construct, or improve land, buildings, and equipment generally are Capital Expenditures. Whether an expenditure is a Capital Expenditure is determined at the time the expenditure is paid with respect to the property; future changes in law do not affect whether an expenditure is a Capital Expenditure.

**“Capital Project”** shall mean all Capital Expenditures, plus related De Minimis Working Capital Items that carry out the governmental purposes of an issue.

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

**“Computation Date”** means April 17, 2019 and April 1, 2024, or any earlier date on which the entire Agreement is discharged.

**“Computation Period”** means the period between Computation Dates. The first Computation Period begins on April 17, 2014, and ends on April 17, 2019. 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.

**“Construction Issue”** shall mean for purposes of the Two-Year Construction Bond Exception to Rebate, the Agreement, if at least seventy-five percent (75%) of the Available Construction Proceeds of the Agreement is spent on Construction Expenditures.

**“Date of Issue”** means April 17, 2014.

**“De Minimis Working Capital Items”** shall mean Working Capital Expenditures eligible for the de minimis exception in Treas. Regs. §1.148-6(d)(3)(ii)(A), and includes:

(A) issuance costs of an issue and qualified administrative costs as defined in Treas. Regs. § 1.148-5(e)(2)(i) or (ii), or Treas. Regs. §1.148-5(e)(3)(ii)(A);

(B) qualified guarantee fees and payments for qualified hedges for the Agreement;

(C) interest on an issue for a period starting on the Date of Issue and ending on the date that is the later of three years from the Date of Issue or one year after the date on which any financed Project is placed in service;

(D) certain Rebate Amounts and Yield Reduction Payments;

(E) other costs that do not exceed five percent (5%) of the Sale Proceeds of an issue and that are directly related to any Capital Expenditures financed with the issue;

(F) principal or interest on an issue paid from unexpected excess Sale Proceeds or Investment Proceeds; or



(G) principal or interest on an issue paid from investment earnings on a reserve or replacement fund that are deposited in a *Bona Fide* Debt Service Fund.

**“Fair Market Value”** is the price at which a willing buyer would purchase the Investment from a willing seller in a bona fide arm’s length transaction, except for specified investments as described in Treas. Regs. §1.148-5(d)(6), including United States Treasury Obligations, certificates of deposit, guaranteed investment contracts, and Investments for yield restricted defeasance escrows, for which special rules for determining fair market value apply.

**“Gross Proceeds”** shall mean Sale Proceeds, Investment Proceeds, Transferred Proceeds and Replacement Proceeds but does not include “qualified administrative costs” as that term is defined in Treas. Regs. §1.148-5(e).

**“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 Contract”** shall mean a Nonpurpose Investment that has specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate, and also includes any agreement to supply investments on two or more future dates (*e.g.*, a forward supply contract).

**“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 Agreement 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 Agreement 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 any portion of those proceeds invested in the Minor Portion or invested in any Reasonably Required Reserve or Replacement Fund.

**“Nonpurpose Investment”** shall mean any Investment in which Gross Proceeds of an issue are invested and which is not acquired to carry out the governmental purpose for which such issue was issued.

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

**“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 Agreement allocable to the 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.

**“Reasonably Required Reserve or Replacement Fund”** shall have the meaning used in Treas. Regs. §1.148-2(f)(2) and generally shall mean the portion of a reserve or replacement fund that is eligible to be invested without yield restriction. The amounts invested without yield restriction as part of such a Reasonably Required Reserve or Replacement Fund for Agreement is subject to a size limitation equal to the least of the following: (i) 10% of the stated principal amount (or, for any bond issue having more than a de minimis amount of original issue discount or premium, the issue price of such bond issue); (ii) 100% of the maximum annual principal and interest on the Agreement; or (iii) 125% of the average annual debt service on the Agreement.

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

**“Related Party or Related Parties”** means, in reference to governmental units or 501(c)(3) organizations, members of the same controlled group within the meaning of Treas. Regs. §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 Agreement or to the governmental purposes of the Agreement to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the Agreement 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 Agreement to the extent that these funds or amounts are held by or derived from a substantial beneficiary of the Agreement. Replacement Proceeds also include amounts that arise to the extent that the City reasonably expects as of April 17, 2014, that the term of the Agreement will be longer than is reasonably necessary for the governmental purposes of the Agreement and there will be available amounts during the period that the Agreement remain outstanding longer than necessary.

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

**“Special Counsel”** means Hawkins Delafield & Wood LLP, or any other nationally recognized bond counsel.

**“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.

**“Tax-Exempt Obligation”** shall mean any obligation issued by any Governmental Unit the interest on which is not included in gross income for purposes of federal income taxation under Section 103 of the Code

**“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.

**“Working Capital Expenditure”** shall mean any cost of a type that does not constitute a Capital Expenditure. Generally, current operating expenses are Working Capital Expenditures.

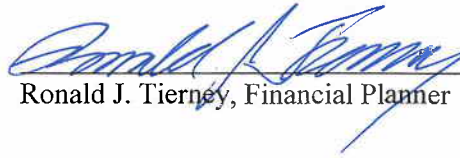
**“Yield Reduction Payments”** shall mean payments made to the United States with respect to any Nonpurpose Investment allocated to the Agreement for the purpose of reducing the yield on such Investments, such payments to be made (a) at the same time and the same manner as Rebate Amounts are required to be paid and (b) with respect to Investments that are allocable (i) to Gross Proceeds of the Agreement that previously qualified for a temporary investment period available for Project, restricted working capital expenditures, pooled financings or Investment Proceeds, or (ii) to the Agreement during any Computation Period in which at least five percent (5%) of the value of the Agreement is a variable yield bonds.

**“Yield-Restricted”** or **“Yield Restriction”** shall mean required to be invested at a yield that is not materially higher than the yield on the Agreement under Section 148 of the Code and Treas. Regs. §1.148-2.

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Dated as of the 17th day of April, 2014.

**City of Lincoln City, Oregon**

  
\_\_\_\_\_  
Ronald J. 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.

<b>Part I Reporting Authority</b>		<b>If Amended Return, check here</b> <input type="checkbox"/>	
1 Issuer's name <b>City of Lincoln City, Oregon</b>		2 Issuer's employer identification number (EIN) <b>93-0523629</b>	
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)		3b Telephone number of other person shown on 3a	
4 Number and street (or P.O. box if mail is not delivered to street address) <b>P. O. Box 50</b>	Room/suite	5 Report number (For IRS Use Only) <b>3</b>	
6 City, town, or post office, state, and ZIP code <b>Lincoln City, OR 97367</b>		7 Date of issue <b>4/17/2014</b>	
8 Name of issue <b>Financing Agreement (Water Projects)</b>		9 CUSIP number <b>none</b>	
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) <b>Ronald J. Tierney, Financial Planner</b>		10b Telephone number of officer or other employee shown on 10a <b>541-996-1212</b>	

**Part II Type of Issue (enter the issue price).** See the 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 4,000,000.00
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	04/01/2024	\$ 4,000,000.00	\$ 4,000,000.00	5.617 years	2.8517%

**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	4,000,000.00
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	31,500.00
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	31,500.00
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	3,968,500.00

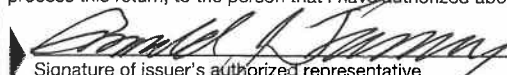
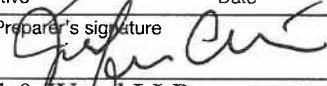
**Part V Description of Refunded Bonds.** Complete this part only for refunding bonds.

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)	▶	_____

For Paperwork Reduction Act Notice, see separate instructions.

**Part VI Miscellaneous**

<b>35</b>	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) . . . . .	<b>35</b>	0
<b>36a</b>	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions) . . . . .	<b>36a</b>	0
<b>b</b>	Enter the final maturity date of the GIC ▶ _____		
<b>c</b>	Enter the name of the GIC provider ▶ _____		
<b>37</b>	Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units . . . . .	<b>37</b>	0
<b>38a</b>	If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the following information:		
<b>b</b>	Enter the date of the master pool obligation ▶ _____		
<b>c</b>	Enter the EIN of the issuer of the master pool obligation ▶ _____		
<b>d</b>	Enter the name of the issuer of the master pool obligation ▶ _____		
<b>39</b>	If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box . . . . .		<input checked="" type="checkbox"/>
<b>40</b>	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box . . . . .		<input type="checkbox"/>
<b>41a</b>	If the issuer has identified a hedge, check here <input type="checkbox"/> and enter the following information:		
<b>b</b>	Name of hedge provider ▶ _____		
<b>c</b>	Type of hedge ▶ _____		
<b>d</b>	Term of hedge ▶ _____		
<b>42</b>	If the issuer has superintegrated the hedge, check box . . . . .		<input type="checkbox"/>
<b>43</b>	If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box . . . . .		<input type="checkbox"/>
<b>44</b>	If the issuer has established written procedures to monitor the requirements of section 148, check box . . . . .		<input type="checkbox"/>
<b>45a</b>	If some portion of the proceeds was used to reimburse expenditures, check here <input checked="" type="checkbox"/> and enter the amount of reimbursement . . . . .		\$65,859.00
<b>b</b>	Enter the date the official intent was adopted ▶ <u>01/28/2014</u>		

<b>Signature and Consent</b>	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	4/17/2014 Date	Ronald J. Tierney, Financial Planner Type or print name and title	
<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed PTIN
	Jennifer B. Cordova		4/17/2014	P01240398
	Firm's name ▶ Hawkins Delafield & Wood LLP	Firm's EIN ▶ 13-5513990		
Firm's address ▶ 200 SW Market Street, Suite 350 Portland, OR 97201	Phone no. 503-402-1320			

*Hawkins*  
DELAFIELD & WOOD LLP

PHONE (503) 402-1320  
FAX (503) 402-1331

200 SW MARKET STREET, SUITE 350  
PORTLAND, OR 97201  
WWW.HAWKINS.COM

NEW YORK  
WASHINGTON  
NEWARK  
HARTFORD  
LOS ANGELES  
SACRAMENTO  
SAN FRANCISCO  
PORTLAND

Jennifer Córdova  
Phone: (503) 402-1326  
Fax: (503) 402-1331  
E-mail: jcordova@hawkins.com

May 7, 2014

**Via Certified Mail**  
**Return Receipt Requested -- 7013 0600 0002 1626 7737**

Internal Revenue Service  
Internal Revenue Service Center  
Ogden, UT 84201

Re: \$4,000,000 City of Lincoln City, Oregon,  
Financing Agreement (Water Projects);  
Our File No.: 38347  
Taxpayer ID No.: 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 yours,

  
Jennifer Córdova

JBC:acg  
Enclosure

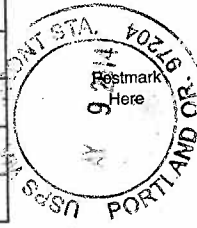
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Postage	\$ .48
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Return Receipt Fee (Endorsement Required)	2.70
Restricted Delivery Fee (Endorsement Required)	—
<b>Total Postage &amp; Fees</b>	<b>\$ 6.48</b>



Sent To Internal Revenue Service

Street, Apt. No.,  
or PO Box No. IRS Center

City, State, ZIP+4 Ogden, UT 84201



**RECEIPT FOR PROCEEDS**

**\$4,000,000**

**City of Lincoln City, Oregon  
Financing Agreement (Water Projects)  
Dated April 17, 2014**

On behalf of the City of Lincoln City, Oregon, I hereby authorize distribution of funds and confirm receipt of funds as described in the Settlement Instructions that was prepared by Columbia State Bank for the above-captioned Financing Agreement (Water Projects).

Dated as of the 17th day of April, 2014.

**City of Lincoln City, Oregon**

  
\_\_\_\_\_  
Ronald J. Tierney, Financial Planner

## INVESTOR LETTER

**\$4,000,000**

**City of Lincoln City, Oregon  
Financing Agreement (Water Projects)  
Dated April 17, 2014**

The undersigned, a duly authorized representative of Columbia State Bank (the “Lender”), hereby certifies as follows with respect to the Lender’s anticipated purchase of the above-captioned Financing Agreement (Water Projects) (the “Agreement”) with the City of Lincoln City, Oregon (the “Issuer”):

1. The Lender is an organization that falls within one of the following categories (a “Permitted Owner”):

(a) a bank as defined in Section 3(a)(2) of the Securities Act of 1933 as amended (the “Securities Act”); or

(b) a savings and loan association or other institution described in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity; or

(c) a “Qualified Institutional Buyer” as that term is defined in Rule 144A under the Securities Act.

2. The Lender has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Agreement.

3. The Lender has made, or will make, its own independent and satisfactory inquiry of the financial condition of the Issuer, including inquiry into financial statements and other information relating to the financial condition of the Issuer to which a reasonable investor would attach significance in making investment decisions, and of any other matters deemed to be relevant to a reasonably informed decision to purchase the Agreement.

4. The Lender has had the opportunity, or will have the opportunity prior to purchasing the Agreement, to ask questions and receive answers from knowledgeable individuals concerning the Issuer and the Agreement, all so that as a reasonable investor the Lender has been able to make a reasonably informed decision to purchase the Agreement.

5. The Lender is primarily purchasing the Agreement for investment purposes only (and not as an “underwriter” or “Participating Underwriter” as defined in the Securities and Exchange Commission Rule 15c2-12, as amended, replaced or supplemented) and does not presently intend to transfer, otherwise distribute or sell the Agreement to the general public.

6. The Lender understands that the Agreement (i) will not be registered under the Securities Act of 1933, as amended, and is not being registered or otherwise qualified for sale under the “blue sky” laws and regulations of any state, (ii) will not be listed on any stock or other securities exchange, (iii) will carry no rating from any rating service, and (iv) will not be readily marketable.

Dated as of the 17th day of April, 2014.

**Columbia State Bank**

  
Sharon Capizzo, Senior Vice President

**CERTIFICATE REGARDING NO REOFFERING**

**\$4,000,000**

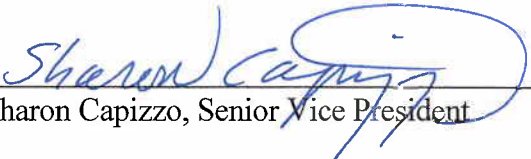
**City of Lincoln City, Oregon  
Financing Agreement (Water Projects)  
Dated April 17, 2014**

On behalf of Columbia State Bank (the "Bank"), the undersigned hereby certifies as follows with respect to the issuance by the City of Lincoln City, Oregon (the "City") of the above-captioned Financing Agreement (Water Projects) (the "Financing Agreement"):

1. The Bank is purchasing the Financing Agreement on the date of this certificate and intends to hold the Financing Agreement for its own account until maturity of the Financing Agreement.
2. On the date of this certificate (the "Sale Date"), the Bank and the City became legally obligated to perform their obligations under the Financing Agreement.
3. Excluding any origination fee or legal expense, the Bank is purchasing the Financing Agreement at par, and such amount reflects market conditions on the Sale Date and is not greater than the fair market value of the Financing Agreement on the Sale Date.
4. The undersigned understands that the statements made herein will be relied upon by Hawkins Delafield & Wood LLP in providing its opinion regarding the tax-exempt status of the Financing Agreement.

Dated as of the 17th day of April, 2014.

**Columbia State Bank**

  
Sharon Capizzo, Senior Vice President

**RECEIPT FOR FINANCING AGREEMENT**

**\$4,000,000**

**City of Lincoln City, Oregon**

**Financing Agreement (Water Projects)**

**Dated April 17, 2014**

On behalf of Columbia State Bank (the "Bank"), I hereby certify that the Bank has received a fully executed original of the above-captioned Financing Agreement (Water Projects), which is in satisfactory form.

Dated as of the 17th day of April, 2014.

**Columbia State Bank**

  
Sharon Capizzo, Senior Vice President



Oregon State Treasury  
 Debt Management Division  
 350 Winter Street NE, Suite 100  
 Salem, OR 97301  
 (503) 378-4930  
 DMD@ost.state.or.us

# Municipal Debt Advisory Commission

Form 1 - (Filed separately for each series at least 10 days prior to Bond Marketing Date)  Initial Notification Swap  PAB  OSBG   
 Form 2 - (Filed separately for each series within 7 days after the Bond Marketing Date)  Update

<b>Issuer</b> City Of Lincoln City		<b>Bond Type</b> Full Faith & Credit Obligations(N)		<b>Issue Date</b> 04/17/2014	<b>Series #</b> 2014	
<b>Purpose</b> Utilities	<b>Par Amount</b> \$4,000,000	<b>Sale Type</b> Privately Placed	<b>Interest Payment Terms</b>	<b>Interest Basis</b> Fixed	<b>Avg Life</b> 5.62	<b>Interest Rate</b> 2.85171%
<b>Borrower</b>			<b>Project Description</b> Improvements to the water system transmission lines and treatment plans			

<b>Debt Limit</b> -	<b>State Program</b> Alternate Energy Projects	<b>Federal Program</b>
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**Bond Pricing** 04/10/2014 **Closing** 04/17/2014 **Final Maturity** 04/01/2024 **# of bids** **Variable Rate**  **Federally Taxable**  **Bank Qualified**   
 Zero Coupon Bond  **Subject to AMT**

Professionals	Associated Business	Cost
Bond Counsel	Hawkins, Delafield & Wood	\$13,000
Financial Advisor	Economic & Financial Analysis	\$15,000
MDAC Fee	Oregon State Treasury	\$800
Purchaser	Columbia State Bank	\$2,700

Call Provisions	Date	Memo
1st Optional Call	04/01/2015	

# *Hawkins Delafield & Wood LLP*

200 SW MARKET STREET, SUITE 350  
PORTLAND, OR 97201  
WWW.HAWKINS.COM

April 17, 2014

City of Lincoln City  
P. O. Box 50  
Lincoln City, Oregon 97367

Subject: \$4,000,000 City of Lincoln City, Oregon,  
Financing Agreement (Water Projects)

Ladies and Gentlemen:

We have acted as special counsel in connection with the execution and delivery by the City of Lincoln City, Oregon (the "City") of its \$4,000,000 Financing Agreement (Water Projects) (the "Financing Agreement") between the City and Columbia State Bank (the "Bank") dated April 17, 2014. The Financing Agreement is issued pursuant to Oregon Revised Statutes Sections 271.390, 287A.315, and City Resolution No. 2014-01 adopted February 10, 2014 (the "Resolution"). Capitalized terms used but not defined in this opinion have the meanings defined for such terms in the Financing 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 which have been or may be supplied to the Bank relating to the Financing Agreement, 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 the Financing Agreement 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 Resolution has been duly adopted. The Financing Agreement has been legally authorized, executed and delivered by the City under and pursuant to the Constitution and Statutes of the State of Oregon, the City Charter, and the Resolution. The Financing Agreement is a valid and legally binding obligation of the City that is enforceable in accordance with its terms.

2. The City has pledged its full faith and credit and taxing power within the limits of Sections 11 and 11b of Article XI of the Oregon Constitution to pay the amounts due under the Financing Agreement. The City is not authorized to levy additional taxes to pay the amounts due under the Financing Agreement.

3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Financing Agreement is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Financing Agreement is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Financing Agreement, and we have assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Financing Agreement from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the execution of the Financing Agreement in order that, for Federal income tax purposes, interest on the Financing Agreement not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Financing Agreement, restrictions on the investment of proceeds of the Financing Agreement prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Financing Agreement to become subject to Federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of execution of the Financing Agreement, the City will execute a Tax Certificate (the "Tax Certificate") containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the City covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things required by the Code to assure that interest on the Financing Agreement will, for Federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 3 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest on the Financing Agreement, and (ii) compliance by the City with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

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

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

Except as stated in paragraphs 3 and 4 above, we express no opinion as to any other Federal, state or local tax consequences arising with respect to the Financing Agreement or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Financing Agreement.

The portion of this opinion that is set forth in paragraph 1 above is qualified only to the extent that enforceability of the Financing Agreement 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.

This opinion is given as of the date hereof and is based on existing law, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention or any changes in law or interpretations thereof that may hereafter arise or occur, or for any other reason.

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.

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



Legal Opinion  
April 17, 2014  
Page 3

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.

We have served as special counsel only to the City in connection with the Financing Agreement and have not represented and are not representing any other party in connection with the Financing Agreement. This opinion is given solely for your benefit in connection with the Financing Agreement and may not be relied on in any manner or for any purpose by any person or entity other than the City and any person to whom we may send a formal reliance letter indicating that the recipient is entitled to rely on this opinion.

Very truly yours,

A handwritten signature in blue ink that reads "Hawkins Delafield & Wood LLP". The signature is written in a cursive style with a long, sweeping underline that extends to the left.

# *Hawkins Delafield & Wood LLP*

200 SW MARKET STREET, SUITE 350  
PORTLAND, OR 97201  
WWW.HAWKINS.COM

April 17, 2014

Columbia State Bank  
1000 SW Broadway, Suite 1100  
Portland, Oregon 97205

Subject: \$4,000,000 City of Lincoln City, Oregon,  
Financing Agreement (Water Projects)

Ladies and Gentlemen:

We have this date delivered our legal opinion, copy attached, with respect to the subject Financing Agreement (Water Projects) (the "Financing Agreement"). You are authorized to rely upon such opinion as if it had been addressed to you originally. We have served only as special counsel to the City of Lincoln City, Oregon ("the City") in connection with the Financing Agreement and have not represented and are not representing any other party in connection with the Financing Agreement. Therefore, no attorney-client relationship shall arise by virtue of our addressing this opinion to persons other than the City.

Very truly yours,

*Hawkins Delafield & Wood LLP*

## BOND SUMMARY STATISTICS

Lincoln City, Oregon

2014 Full Faith and Credit Obligation (Water) - Columbia Bank Financing Agreement - Final Numbers

Dated Date	04/17/2014
Delivery Date	04/17/2014
Last Maturity	04/01/2024
Arbitrage Yield	2.851718%
True Interest Cost (TIC)	2.851718%
Net Interest Cost (NIC)	2.851478%
All-In TIC	3.008327%
Average Coupon	2.851478%
Average Life (years)	5.617
Duration of Issue (years)	5.129
Par Amount	4,000,000.00
Bond Proceeds	4,000,000.00
Total Interest	640,647.99
Net Interest	640,647.99
Total Debt Service	4,640,647.99
Maximum Annual Debt Service	478,965.55
Average Annual Debt Service	466,136.52

Bond Component	Par Value	Price	Average Coupon	Average Life	Duration	PV of 1 bp change
Bond Component	4,000,000.00	100.000	2.851%	5.617	5.129	2,035.25
	4,000,000.00			5.617		2,035.25

	TIC	All-In TIC	Arbitrage Yield
Par Value	4,000,000.00	4,000,000.00	4,000,000.00
+ Accrued Interest	-	-	-
+ Premium (Discount)	-	-	-
- Underwriter's Discount	-	-	-
- Cost of Issuance Expense	-	-31,500.00	-
- Other Amounts	-	-	-
Target Value	4,000,000.00	3,968,500.00	4,000,000.00
Target Date	04/17/2014	04/17/2014	04/17/2014
Yield	2.851718%	3.008327%	2.851718%

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**BOND DEBT SERVICE**

Lincoln City, Oregon

2014 Full Faith and Credit Obligation (Water) - Columbia Bank Financing Agreement - Final Numbers

Dated Date            04/17/2014  
Delivery Date        04/17/2014

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
10/01/2014	-	-	52,141.11	52,141.11	-
04/01/2015	370,000	2.810%	56,824.44	426,824.44	478,965.55
10/01/2015	-	-	51,851.53	51,851.53	-
04/01/2016	370,000	2.810%	51,851.53	421,851.53	473,703.06
10/01/2016	-	-	46,566.38	46,566.38	-
04/01/2017	380,000	2.810%	46,311.92	426,311.92	472,878.30
10/01/2017	-	-	41,138.40	41,138.40	-
04/01/2018	385,000	2.810%	40,913.60	425,913.60	467,052.00
10/01/2018	-	-	35,639.00	35,639.00	-
04/01/2019	395,000	2.810%	35,444.25	430,444.25	466,083.25
10/01/2019	-	-	29,996.75	29,996.75	-
04/01/2020	405,000	2.810%	29,996.75	434,996.75	464,993.50
10/01/2020	-	-	24,211.66	24,211.66	-
04/01/2021	410,000	2.810%	24,079.36	434,079.36	458,291.02
10/01/2021	-	-	18,355.15	18,355.15	-
04/01/2022	420,000	2.810%	18,254.85	438,254.85	456,610.00
10/01/2022	-	-	12,355.80	12,355.80	-
04/01/2023	430,000	2.810%	12,288.29	442,288.29	454,644.09
10/01/2023	-	-	6,213.61	6,213.61	-
04/01/2024	435,000	2.810%	6,213.61	441,213.61	447,427.22
	4,000,000		640,647.99	4,640,647.99	4,640,647.99

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## BOND PRICING

Lincoln City, Oregon

2014 Full Faith and Credit Obligation (Water) - Columbia Bank Financing Agreement - Final Numbers

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Bond Component:					
	04/01/2015	370,000	2.810%	2.810%	100.000
	04/01/2016	370,000	2.810%	2.810%	100.000
	04/01/2017	380,000	2.810%	2.810%	100.000
	04/01/2018	385,000	2.810%	2.810%	100.000
	04/01/2019	395,000	2.810%	2.810%	100.000
	04/01/2020	405,000	2.810%	2.810%	100.000
	04/01/2021	410,000	2.810%	2.810%	100.000
	04/01/2022	420,000	2.810%	2.810%	100.000
	04/01/2023	430,000	2.810%	2.810%	100.000
	04/01/2024	435,000	2.810%	2.810%	100.000
		4,000,000			

Dated Date	04/17/2014	
Delivery Date	04/17/2014	
First Coupon	10/01/2014	
Par Amount	4,000,000.00	
Original Issue Discount	-	
Production	4,000,000.00	100.000000%
Underwriter's Discount	-	-
Purchase Price	4,000,000.00	100.000000%
Accrued Interest	-	
Net Proceeds	4,000,000.00	

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**SOURCES AND USES OF FUNDS**

Lincoln City, Oregon

2014 Full Faith and Credit Obligation (Water) - Columbia Bank Financing Agreement - Final Numbers

Dated Date            04/17/2014  
Delivery Date        04/17/2014

**Sources:**

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Bond Proceeds:	
Par Amount	4,000,000.00

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4,000,000.00

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**Uses:**

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Project Fund Deposits:	
Project Fund	3,968,500.00

Cost of Issuance:

Loan Fee	1,500.00
Bank Counsel Fee	1,200.00
Bond Counsel	13,000.00
Financial Advisor	15,000.00
MDAC	800.00
	<hr/>
	31,500.00

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4,000,000.00

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**COST OF ISSUANCE**

Lincoln City, Oregon

2014 Full Faith and Credit Obligation (Water) - Columbia Bank Financing Agreement - Final Numbers

<b>Cost of Issuance</b>	<b>\$/1000</b>	<b>Amount</b>
Loan Fee	0.37500	1,500.00
Bank Counsel Fee	0.30000	1,200.00
Bond Counsel	3.25000	13,000.00
Financial Advisor	3.75000	15,000.00
MDAC	0.20000	800.00
	7.87500	31,500.00

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**FORM 8038 STATISTICS**

Lincoln City, Oregon  
2014 Full Faith and Credit Obligation (Water) - Columbia Bank Financing Agreement - Final Numbers

Dated Date           04/17/2014  
Delivery Date       04/17/2014

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Bond Component:						
	04/01/2015	370,000.00	2.810%	100.000	370,000.00	370,000.00
	04/01/2016	370,000.00	2.810%	100.000	370,000.00	370,000.00
	04/01/2017	380,000.00	2.810%	100.000	380,000.00	380,000.00
	04/01/2018	385,000.00	2.810%	100.000	385,000.00	385,000.00
	04/01/2019	395,000.00	2.810%	100.000	395,000.00	395,000.00
	04/01/2020	405,000.00	2.810%	100.000	405,000.00	405,000.00
	04/01/2021	410,000.00	2.810%	100.000	410,000.00	410,000.00
	04/01/2022	420,000.00	2.810%	100.000	420,000.00	420,000.00
	04/01/2023	430,000.00	2.810%	100.000	430,000.00	430,000.00
	04/01/2024	435,000.00	2.810%	100.000	435,000.00	435,000.00
		4,000,000.00			4,000,000.00	4,000,000.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield
Final Maturity	04/01/2024	2.810%	435,000.00	435,000.00	-	-
Entire Issue	-	-	4,000,000.00	4,000,000.00	5.6168	2.8517%

Proceeds used for accrued interest	0.00
Proceeds used for bond issuance costs (including underwriters' discount)	31,500.00
Proceeds used for credit enhancement	0.00
Proceeds allocated to reasonably required reserve or replacement fund	0.00



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**PROOF OF ARBITRAGE YIELD**

Lincoln City, Oregon

2014 Full Faith and Credit Obligation (Water) - Columbia Bank Financing Agreement - Final Numbers

<b>Date</b>	<b>Debt Service</b>	<b>Present Value to 04/17/2014 @ 2.8517182960%</b>
10/01/2014	52,141.11	51,472.84
04/01/2015	426,824.44	415,430.56
10/01/2015	51,851.53	49,757.90
04/01/2016	421,851.53	399,127.27
10/01/2016	46,566.38	43,438.57
04/01/2017	426,311.92	392,086.47
10/01/2017	41,138.40	37,303.80
04/01/2018	425,913.60	380,783.83
10/01/2018	35,639.00	31,414.76
04/01/2019	430,444.25	374,090.35
10/01/2019	29,996.75	25,703.08
04/01/2020	434,996.75	367,492.28
10/01/2020	24,211.66	20,166.85
04/01/2021	434,079.36	356,479.00
10/01/2021	18,355.15	14,861.89
04/01/2022	438,254.85	349,859.89
10/01/2022	12,355.80	9,725.00
04/01/2023	442,288.29	343,222.29
10/01/2023	6,213.61	4,754.07
04/01/2024	441,213.61	332,829.30
	<b>4,640,647.99</b>	<b>4,000,000.00</b>

Proceeds Summary

Delivery date	04/17/2014
Par Value	4,000,000.00
Target for yield calculation	4,000,000.00

SETTLEMENT INSTRUCTION

Closing Date: April 17, 2014

Closing Location: Hawkins Delafield & Wood LLP  
200 SW Market Street, Ste 350  
Portland, Oregon 97201

Regarding: City of Lincoln City Full Faith and Credit Financing for Water Projects

Borrower: City of Lincoln City

Loan Amount: \$4,000,000

Loan Type: Full Faith and Credit

Loan Proceeds: \$4,000,000

Less Loan Fee: \$1,500

Less Banks Legal Fee: \$1,200

Net Proceeds to City: \$3,997,300

Net Proceeds: Proceeds to be wired to Bank of America:

Wire to: Bank of America

Wire ABA #: 026009593

Account Number: 002688300175

Beneficiary Name: City of Lincoln City

Attn: Scott Morgan

Contact # 541-996-1213