

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 1, 2011

**NEW ISSUE – COMPETITIVE via PARITY
BOOK-ENTRY ONLY**

**SALE DATE: November 8, 2011
RATING: Moody's Aa2**

In the opinion of K&L Gates LLP, Portland, Oregon, Bond Counsel, assuming compliance with certain covenants of the City, interest on the 2011 Series A Bonds is excludable from gross income of the owners of the 2011 Series A Bonds for federal income tax purposes under existing law and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on either individuals or corporations; however, interest on the 2011 Series A Bonds is included in adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel. In the opinion of Bond Counsel, interest on the 2011 Series A Bonds is exempt from Oregon personal income tax under existing law.

City of Portland, Oregon

\$15,895,000*

Gas Tax Revenue Bonds

2011 Series A

BASE CUSIP: 736694

DATED: Date of Delivery

DUE: February 1, as shown on inside cover

The City of Portland, Oregon Gas Tax Revenue Bonds, 2011 Series A (the "2011 Series A Bonds") will be issued in registered book-entry form only without coupons in denominations of \$5,000 or integral multiples thereof. The 2011 Series A Bonds, when executed and delivered, will be registered in the name of Cede & Co. as the registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2011 Series A Bonds. While Cede & Co. is the registered owner of the 2011 Series A Bonds (the "Owner") as nominee of DTC, references herein to the Bondowners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. See "BOOK-ENTRY SYSTEM" herein.

The 2011 Series A Bonds will bear or accrue interest rates as set forth on the inside cover. The 2011 Series A Bonds will be dated as of the Date of Delivery. Interest on 2011 Series A Bonds will be payable semiannually on February 1 and August 1 of each year, beginning August 1, 2012. While the 2011 Series A Bonds are in book-entry form, interest on the 2011 Series A Bonds will be paid through DTC. See "BOOK-ENTRY SYSTEM" herein.

MATURITIES, AMOUNTS AND INTEREST RATES AS SHOWN ON THE REVERSE HEREOF

Proceeds of the 2011 Series A Bonds will be used to finance costs of transportation capital projects that are eligible to be financed with gas tax revenues under Article IX, Section 3a of the Oregon Constitution, to fund a contribution to the Gas Tax Reserve Fund, and to pay costs related to the 2011 Series A Bonds.

The 2011 Series A Bonds are special obligations of the City and are payable solely from Gas Tax Revenues and the Gas Tax Reserve Fund as more fully described herein. The 2011 Series A Bonds are not general obligations of the City. Neither the full faith and credit nor the taxing power of the City is pledged for the payment of principal, premium if any, or interest on the 2011 Series A Bonds. See "Security for the 2011 Series A Bonds" herein.

The 2011 Series A Bonds are subject to optional redemption prior to maturity. See "REDEMPTION OF THE 2011 SERIES A BONDS" herein.

The 2011 Series A Bonds are offered when, as and if issued by the City and accepted by the successful bidder, subject to prior sale, withdrawal or modification of the offer without notice, to the final approving opinion of K & L Gates LLP, Portland, Oregon, Bond Counsel, and to certain other conditions. The City expects that the 2011 Series A Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about November 22, 2011.

* Preliminary, subject to change.

MATURITY SCHEDULE

\$15,895,000*

**GAS TAX REVENUE BONDS
2011 SERIES A**

Due February 1	Principal Amount*	Interest Rate	Price or Yield	CUSIP No. (1) 736694
2013	\$1,145,000	%	%	
2014	1,280,000			
2015	1,305,000			
2016	1,340,000			
2017	1,380,000			
2018	1,430,000			
2019	1,480,000			
2020	1,540,000			
2021	1,600,000			
2022	1,665,000			
2023	1,730,000			

(1) Registered Trademark 2011, American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies.

* Preliminary, subject to change.

**OFFICIAL STATEMENT
OF THE
CITY OF PORTLAND, OREGON**

\$15,895,000*

**Gas Tax Revenue Bonds
2011 Series A**

CITY COUNCIL

Sam Adams,
Mayor and Commissioner of Finance and Administration

Amanda Fritz, Commissioner No. 1
Nick Fish, Commissioner No. 2
Dan Saltzman, Commissioner No. 3
Randy Leonard, Commissioner No. 4

CITY OFFICIALS

LaVonne Griffin-Valade, City Auditor
Eric H. Johansen, City Treasurer
Linda Meng, City Attorney

Jack D. Graham, Chief Administrative Officer
Richard F. Goward, Jr., Chief Financial Officer

DEBT MANAGEMENT

B. Jonas Biery, Debt Manager
City of Portland
1221 SW Fourth Avenue, Room 120
Portland, Oregon 97204
Phone: (503) 823-4222
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BOND COUNSEL

K&L Gates LLP
Portland, Oregon

* Preliminary, subject to change.



No dealer, broker, salesperson or other person has been authorized by the City of Portland (the “City”) to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. Bond Counsel’s review of this document is limited; see “Legal Matters” herein. This Official Statement has been deemed final as of its date by the City pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, as amended.

This Official Statement speaks only as of its date, and the information contained herein is subject to change without notice. Certain statements contained in this Official Statement are projections, forecasts and other statements about future events. These statements (“Forward Looking Statements”) are not statements of historical facts and no assurance can be given that the results shown in these Forward Looking Statements will be achieved. See “FORWARD LOOKING STATEMENTS.” All estimates set forth herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates are correct. So far as any statements herein involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and are not representations of fact.

This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of, the 2011 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. In making an investment decision, potential investors must rely on their own examination of the City and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense. **In connection with this offering, the successful bidder may over allot or effect transactions which stabilize or maintain the market price of the 2011 Series A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued, and if discontinued, then recommenced, at any time.**

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OFFICIAL NOTICE OF BOND SALE

\$15,895,000*
City of Portland, Oregon
Gas Tax Revenue Bonds
2011 Series A

NOTICE IS HEREBY GIVEN that the City of Portland, Oregon (the “City”) is soliciting bids to purchase its Gas Tax Revenue Bonds, 2011 Series A (the “Bonds”) until 9:00 a.m. (Prevailing Pacific Time) on:

November 8, 2011.

Bids must be submitted electronically via **PARITY** in accordance with this Notice in the manner described below.

SECURITY: The Bonds are special obligations of the City that are payable solely from the from Gas Tax Revenues and the Gas Tax Reserve Fund as more fully described in the preliminary official statement for the Bonds. Neither the full faith and credit nor the taxing power of the City is pledged for the payment of the Bonds.

PRELIMINARY OFFICIAL STATEMENT: The City has prepared a preliminary official statement for the Bonds. The preliminary official statement may be obtained from i-Deal Prospectus at www.i-dealprospectus.com. For more information on electronic delivery, please call i-Deal Prospectus at 212-849-5024. The preliminary official statement may also be obtained from the City’s Principal Debt Analyst; see “**ADDITIONAL INFORMATION**” below.

RATING: The City has received a rating of Aa2 on the Bonds from Moody’s Investors Service.

DATED DATE AND DELIVERY DATE: The Bonds will be dated as of their date of delivery. Bidders should use November 22, 2011, the expected delivery date of the Bonds, for purposes of computing their bids.

INTEREST PAYMENTS AND MATURITIES: Interest on the Bonds is payable semiannually on February 1 and August 1 of each year until maturity commencing August 1, 2012. The Bonds will be issued in the principal amount of \$15,895,000*, and will mature on the following dates in the following principal amounts (subject to adjustment as noted below).

Due February 1	Principal Amount*
2013	1,145,000
2014	1,280,000
2015	1,305,000
2016	1,340,000
2017	1,380,000
2018	1,430,000
2019	1,480,000
2020	1,540,000
2021	1,600,000
2022	1,665,000
2023	1,730,000

*This maturity schedule assumes that the winning bidder will use premium couponing; principal amounts may be adjusted after the sale as described under the heading “**ADJUSTMENT OF MATURITIES.**”

ADJUSTMENT OF MATURITIES: The City reserves the right to adjust the principal amount specified in the bidding maturity schedule within 4 hours following receipt of bids to properly size the issue. If the City adjusts the principal amount, the price to be paid to the City by the successful bidder will be adjusted in a

manner that preserves the successful bidder's percentage net compensation. Notice of any adjustment will be given to the winning bidder promptly.

TERM BONDS: Bidders may designate one or more term bonds, which consist of two or more consecutive maturities with identical interest rates, which mature on the maturity date of the last of the consecutive maturities in an amount equal to the sum of the consecutive maturities, and which are subject to mandatory redemption at par and by lot in amounts equal to the consecutive maturities which were combined into term bonds. Each bidder should specify in its bid whether term bonds are desired.

OPTIONAL REDEMPTION: The City reserves the right to redeem the Bonds maturing after February 1, 2021 on February 1, 2021 and any date thereafter. The City may redeem the Bonds in whole or in part, in any order of maturity and by lot within a maturity, at a price of par plus accrued interest.

RIGHT TO CANCEL, CHANGE TIMING AND TERMS OF SALE: The City reserves the right to change the date, maturity schedule, amount, timing, terms under which the Bonds are offered for sale, to postpone the sale to a later date, to cancel the sale based upon market conditions, or to amend this Notice by posting changes to this Notice on i-Deal Prospectus and by placing a notice of the changes on Thomson Muni News on Thomson Municipal Market Monitor (www.tm3.com).

INTEREST RATE CONSTRAINTS: No bid will be accepted which results in a true interest cost of more than five percent (5.00%) per annum. Bidders must specify the interest rate or rates which the Bonds shall bear. The bids must comply with the following conditions: (1) each interest rate specified in any bid must be a multiple of one one-thousandth of one percent (0.001%); (2) each Bond that matures on the same date shall bear interest from its date to its stated maturity date at a single, fixed interest rate; (3) the maximum interest rate per maturity of the Bonds shall not exceed six percent (6.00%); (4) the interest rate specified for Bonds that mature after February 1, 2021 may not be less than the rate specified for the immediately preceding maturity (i.e., commencing February 1, 2022, the same rate of interest or an ascending rate of interest is required); and (5) no bid will be considered that does not offer to purchase all of the maturities of the Bonds.

DISCOUNT: Bidders must specify a purchase price of not less than ninety-nine percent (99.0%) of the aggregate principal amount of the Bonds.

BASIS OF AWARD: Unless all bids are rejected, the Bonds will be awarded to the bidder whose bid produces the lowest overall true interest cost for the City. The true interest cost for the Bonds will be determined by doubling the semi-annual interest rate necessary to discount the debt service on the Bonds to the expected delivery date of the Bonds, as described in "DATED DATE AND DELIVERY DATE" above, and to the aggregate purchase price bid for the Bonds. Each bidder is requested to supply the total interest cost and the true interest cost that the City will pay on the Bonds if the bid is accepted. Bids will be publicly announced and will be considered and acted upon by the City within 4 hours after the sale.

BIDS MUST BE SUBMITTED ON "PARITY": Bids must be submitted electronically via **PARITY**. Bids must be received by the **PARITY** system not later than the date and time indicated in the first paragraph of this notice. No bid will be received after the time for receiving bids specified above. For further information about submitting a bid using **PARITY**, potential bidders may contact **PARITY** at (212) 849-5021. To the extent any instructions or directions set forth in **PARITY** conflict with this notice of sale, the terms of this notice of sale shall control. Bidders electing to submit bids through **PARITY** must obtain access to the **PARITY** system and bear all risks associated with using that system, including errors and delays in receipt of bids. In the event there are any technical problems associated with **PARITY**, **PARITY** may fax bids that it receives prior to 9:00 a.m. (Prevailing Pacific Time), as soon as practicable to (503) 823-4209 to the attention of Patricia Tigue, for consideration by the City. Bids received by **PARITY** prior to 9:00 a.m. (Prevailing Pacific Time), but faxed after 9:00 a.m. (Prevailing Pacific Time) as provided in the preceding sentence, shall be considered conforming to the time requirements of this Official Notice of Sale.

GOOD FAITH DEPOSIT: The winning bidder must provide a good faith deposit to the City in the amount of \$317,900 not later than 1:00 p.m. Prevailing Pacific Time, on November 8, 2011 (the date of sale). The deposit must be provided in the form of (a) a wire transfer to the account of the City designated by the City's Debt Manager at the time of award, or (b) a certified or cashier's check drawn on a bank doing business in the State of Oregon. If the good faith deposit is not provided in the manner and by the time indicated in this Notice,

the City may award the sale to the next most favorable bidder or may cancel the sale. The good faith deposit will be forfeited to the City as liquidated damages if the bidder to whom the Bonds are awarded withdraws its bids or fails to complete its purchase in accordance with the terms of its bid and this Notice. No interest will be allowed on the good faith deposit and the good faith deposit will be retained as part payment of the Bonds or for liquidated damages as described in this Notice. The City shall be entitled to retain for the sole and exclusive use and benefit of the City all investment earnings derived from each good faith deposit prior to the delivery of the Bonds, and in no event shall the winning bidder be entitled to any such investment earnings (whether by means of a credit or otherwise).

RIGHT OF REJECTION: The City reserves the right to reject any or all bids and to waive any irregularities.

BOOK-ENTRY-ONLY: The Bonds will be issued in registered, book-entry-only form through DTC. Unless the book-entry-only system is discontinued, Bond principal and interest payments will be made by the City to DTC through the City's paying agent and registrar, which is currently U.S. Bank National Association

STANDARD FILINGS AND CHARGES: The winning bidder will be required to make the standard filings and maintain the appropriate records routinely required pursuant to Municipal Securities Rulemaking Board ("MSRB") Rules G-8, G-11, and G-36. The winning bidder will be required to pay the standard MSRB charge for the Bonds purchased. In addition, if the winning bidder is a member of the Securities Industry and Financial Markets Association ("SIFMA") it will be required to pay SIFMA's standard charges.

PURPOSE: The Bonds are being issued to finance costs of transportation capital projects, to make a deposit to the Gas Tax Reserve Fund, and to pay costs of issuing the Bonds.

CERTIFICATE OF ISSUE PRICE, REOFFERING PRICE: The winning bidder must provide the City's Debt Manager with the reoffering prices and yields for the Bonds within one hour after award of the bid. The reoffering prices and yields so provided will be printed on the cover of the final official statement for the Bonds. In addition, the winning bidder must provide a certificate, satisfactory to Bond Counsel, not later than two business days prior to the closing of the Bonds, containing information reasonably requested by the City and Bond Counsel as shall be necessary to enable the City to determine the "issue price" (within the meaning of Treasury Regulations Section 1.148-1) for each maturity of the Bonds. Such certificate will state, in part, that (i) the successful bidder has made a bona fide offering of all of the Bonds to the public at the reoffering yields or prices provided by the successful bidder; and (ii) the successful bidder reasonably expected that the first price at which at least 10% of each maturity of the Bonds would be sold to the public would be the respective reoffering yield or price for that maturity. For these purposes, the term "public" does not include bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers. Failure to provide the reoffering prices and yields, or the certificate satisfactory to Bond Counsel, may result in cancellation of the sale and forfeiture of the winning bidder's good faith deposit.

LEGAL OPINION: The approving opinion of K&L Gates LLP, Bond Counsel, of Portland, Oregon, will be provided at no cost to the purchasers.

TAX-EXEMPT STATUS: In the opinion of Bond Counsel, under existing law and conditioned on the City complying with certain covenants relating to the tax-exempt status of the Bonds, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, as provided in greater detail in the preliminary official statement for the Bonds. In the opinion of Bond Counsel, interest on the Bonds is exempt from Oregon personal income tax under existing law.

DELIVERY AND PAYMENT: The City will deliver the Bonds through the facilities of DTC. The winning bidder must pay for the Bonds in funds immediately available to the City on the date and at the time of closing. Delivery of the Bonds will be made within thirty days after the sale and is expected to occur on November 22, 2011.

ADDITIONAL INFORMATION: Additional information about this sale and the preliminary official statement for the Bonds may be requested from Patricia Tighe, Principal Debt Analyst, at the City's Office of Management and Finance, 1221 S.W. Fourth Avenue Room 120, Portland, Oregon 97204, telephone

(503) 823-5580, telecopier (503) 823-4209, e-mail Patricia.Tigue@portlandoregon.gov. Any questions concerning **PARITY** should be directed to (212) 849-5021.

FINAL OFFICIAL STATEMENT; COMPLIANCE WITH SEC RULES: The City will provide the winning bidder with up to 150 copies of the final official statement for the Bonds at the expense of the City. Upon request, the City will provide additional copies of the final official statement at the expense of the bidder making the request. The official statement will be provided in a form “deemed final” by the City, not later than three business days prior to the anticipated delivery date of the Bonds. Bidders should expect that the official statements will not be available prior to the seventh business day following the date of the sale, and should not issue confirmations which request payment prior to that date. This paragraph will constitute a contract with the winning bidder upon acceptance of their bids by the City, in compliance with Section 240.15c2-12(b)(3) in Chapter II of Title 17 of the Code of Federal Regulations (the “Rule”).

CONTINUING DISCLOSURE: The City will enter into an undertaking to provide ongoing disclosure for the benefit of the owners of the Bonds as required by the Rule, in substantially the form shown in the preliminary official statement.

CUSIP: The City will obtain CUSIP numbers for the Bonds.

CLOSING CERTIFICATES: At the time of payment for the delivery of the Bonds, the City will certify that no litigation is pending that may adversely affect the validity of the Bonds, and that to the City’s knowledge the official statement does not contain any material misstatements or omissions.

By order of the City of Portland, Oregon

**OFFICIAL STATEMENT
OF THE
CITY OF PORTLAND, OREGON
RELATED TO
\$15,895,000*
GAS TAX REVENUE REFUNDING BONDS
2011 SERIES A**

INTRODUCTION

This Official Statement sets forth certain information concerning the City of Portland, Oregon (the “City”), its Gas Tax Revenue Bonds, 2011 Series A (the “2011 Series A Bonds”). The 2011 Series A Bonds will be issued in accordance with City Ordinance No. 170507, as amended by Ordinance No. 172240 adopted by the City Council on May 13, 1998, and Ordinance No. 179060, adopted by the City Council on February 16, 2005 (the “Master Gas Tax Revenue Bond Ordinance”). The 2011 Series A Bonds are issued as Additional Gas Tax Bonds under Section 1.G.2.a. of the Master Gas Tax Revenue Bond Ordinance.

The body of this Official Statement briefly summarizes many of the provisions of the Master Gas Tax Revenue Bond Ordinance and does not purport to be complete. Reference should be made to the Master Gas Tax Revenue Bond Ordinance found in Appendix A for full and complete details of its content. Capitalized terms that are used but not defined in the body of this Official Statement have the meanings defined for those terms in the Master Gas Tax Revenue Bond Ordinance.

THE 2011 SERIES A BONDS

AUTHORIZATION AND PURPOSE

The 2011 Series A Bonds are authorized by Ordinance 184818 adopted by the City Council on August 17, 2011 (the “Ordinance”). The 2011 Bonds are being issued in accordance with the Master Gas Tax Revenue Bond Ordinance. The City’s Debt Manager will also execute and deliver a Bond Declaration dated as of the closing date of the 2011 Series A Bonds (the “Bond Declaration”) to establish the terms under which the 2011 Series A Bonds are issued, the administrative provisions that apply to the 2011 Series A Bonds, and any covenants that apply to the 2011 Series A Bonds that are not contained in the Master Gas Tax Revenue Bond Ordinance or the Ordinance. See Appendix B for the Bond Declaration.

The Master Gas Tax Revenue Bond Ordinance includes requirements for amendments with and without written consents of the Owners. In the Bond Declaration, the City has reserved the right to amend the Master Gas Tax Revenue Bond Ordinance to make changes that are described in Section 7 of the Bond Declaration. By purchase and acceptance of the 2011 Series A Bonds, the Owners of the 2011 Series A Bonds will be deemed to have irrevocably consented to the amendments that are described in Section 7 of the Bond Declaration. See “SECURITY FOR THE 2011 SERIES A BONDS—Proposed Amendments” and Appendix B—BOND DECLARATION—SECTION 7. SPRINGING AMENDMENTS”

The purpose of the 2011 Series A Bonds is to finance costs of transportation capital projects that are eligible to be financed with gas tax revenues under Article IX, Section 3a of the Oregon Constitution, to fund a contribution to the Gas Tax Reserve Fund, and to pay costs related to the 2011 Series A Bonds. See “Estimated Sources and Uses of Bond Proceeds” herein.

DESCRIPTION

The 2011 Series A Bonds will be issued in registered Book Entry Only (“BEO”) form, without coupons, in denominations of \$5,000 or integral multiples thereof. The 2011 Series A Bonds, when executed and delivered, will be registered in the name of Cede & Co. as the registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”). Interest on the 2011 Series A Bonds is payable semi-annually on February 1 and August 1 of each year beginning August 1, 2012.

* Preliminary, subject to change,

The 2011 Series A Bonds will be issued subject to the BEO System of registration, transfer and payment operated by DTC, and will be subject in all respects to the rules, regulations and agreements pertaining to such BEO System. In accordance with the BEO System, the 2011 Series A Bonds, when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee for DTC. Purchasers of the 2011 Series A Bonds who are the Beneficial Owners thereof will not receive certificates evidencing their ownership interests in the 2011 Series A Bonds. While Cede & Co. is the registered Owner of the 2011 Series A Bonds (in such capacity, the “Owner”) as nominee of DTC, it shall be treated in all respects as the sole Owner of the 2011 Series A Bonds and shall have the right to exercise (in lieu of the Beneficial Owners of the 2011 Series A Bonds) all rights as Owner, including but not limited to the right to give consents, the right to receive notices (including notices of redemption), and other rights conferred on owners of the 2011 Series A Bonds under the Bond Declaration or applicable law. So long as the 2011 Series A Bonds are subject to the BEO System, all registrations and transfers of Beneficial Ownership of the 2011 Series A Bonds will be made only through the BEO System. See Appendix F, herein, for a discussion of the BEO System.

PAYMENT OF THE 2011 SERIES A BONDS WHILE IN BOOK-ENTRY SYSTEM

So long as the 2011 Series A Bonds are subject to the BEO System, all payments of the principal of and interest on the 2011 Series A Bonds shall be remitted by the Registrar and Paying Agent, currently U.S. Bank National Association (the “Paying Agent”) directly to DTC. DTC, in turn, will be required to distribute such payments to DTC Participants, and the DTC Participants will be responsible for ultimate distribution of such payments to the Beneficial Owners of the 2011 Series A Bonds. The City has no responsibility for the distribution of any payments on the 2011 Series A Bonds by DTC to any DTC Participant or by any DTC Participant to any Beneficial Owner, and shall have no liability whatsoever in the event of any failure by DTC or a DTC Participant to make any such distribution. See “BOOK-ENTRY SYSTEM” in Appendix F herein.

REDEMPTION OF THE 2011 SERIES A BONDS

Optional Redemption of the 2011 Series A Bonds

The 2011 Series A Bonds are subject to redemption prior to maturity in whole or in part at the option of the City on any date on or after February 1, 2021, in any order of maturity and by lot within a maturity. Any such redemption shall be at a price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption. In the case of any redemption of less than all of the outstanding 2011 Series A Bonds, the City shall have the right to specify the particular maturities to be redeemed and the aggregate principal amount of each maturity to be redeemed.

Notice of Redemption

Unless DTC consents to a shorter period, for any 2011 Series A Bonds which are in book-entry-only form, the Paying Agent shall notify DTC not less than 20 days prior to the date fixed for redemption of the maturity to be redeemed in the manner required in the city’s Letter of Representations to DTC. No other notice shall be required.

It shall be the sole responsibility of DTC to give all notices of redemption to DTC Participants, and the DTC Participants, in turn, shall be responsible for giving such notices to the Beneficial Owners. Neither the City nor the Paying Agent will be responsible for giving any notice of redemption to any Beneficial Owner or any DTC Participant, nor shall the City or the Paying Agent be liable for any failure of DTC or any DTC Participant to give any such notice as described above. Interest on any 2011 Series A Bond or 2011 Series A Bonds called for redemption shall cease on the redemption date designated in the notice.

Conditional Notice of Redemption

Any notice of optional redemption to the Paying Agent or to the Owners may state that the optional redemption is conditioned upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such 2011 Series A Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and the Bond Declaration provides that any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. The Bond Declaration requires notice of such rescission or of the failure of any such condition to be given by the Paying Agent to affected Owners of 2011 Series A Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Effect of Notice of Redemption

The Bond Declaration provides that official notice of redemption having been given (other than conditional notices of optional redemption as described above), the 2011 Series A Bonds or portions of 2011 Series A Bonds so to be redeemed shall, on the date fixed for redemption, become due and payable at the redemption price therein specified, and from and after such date (unless the City fails to pay the redemption price) such 2011 Series A Bonds or portion of 2011 Series A Bonds shall cease to bear interest.

ESTIMATED SOURCES AND USES OF 2011 SERIES A BOND PROCEEDS

The anticipated uses of proceeds from the 2011 Series A Bonds are itemized in the following table:

Table 1
CITY OF PORTLAND, OREGON
Estimated Sources and Uses of 2011 Series A Proceeds

<u>Sources of Funds</u>	
Par amount of bonds	\$
Original issue (discount)/premium	
TOTAL SOURCES	<u>\$</u>
 <u>Uses of Funds</u>	
Deposit to construction fund	\$
Underwriter's discount	
Debt service reserve	
Costs of issuance	
TOTAL USES	<u>\$</u>

Source: City of Portland.

The following table presents the debt service on the 2011 Series A Bonds.

Table 2
CITY OF PORTLAND, OREGON
Scheduled Debt Service on Outstanding Gas Tax Revenue Bonds
and the 2011 Series A Bonds

Fiscal Year	Debt Service	2011 SERIES A BOND DEBT SERVICE			Total
		On Outstanding	Principal	Interest	
Ending	Gas Tax				Gas Tax
June 30	Revenue Bonds				Revenue Bond
					Debt Service
2012	\$749,628				
2013	757,578				
2014	753,863				
2015	758,643				
2016	746,563				
2017	243,000				
2018	252,000				
2019	-				
2020	-				
2021	-				
2022	-				
2023	-				
Total	\$4,261,273				

Source: City of Portland.

SECURITY FOR THE 2011 SERIES A BONDS

PLEDGED REVENUES

The 2011 Series A Bonds are special obligations of the City and are payable solely from the Gas Tax Revenues. The 2011 Series A Bonds are not general obligations of the City. Neither the full faith and credit nor the taxing power of the City is pledged for the payment of principal, premium if any, or interest on the 2011 Series A Bonds.

The 2011 Series A Bonds are being issued on a parity with outstanding Gas Tax Bonds. The Gas Tax Revenues have been pledged to pay the Gas Tax Bonds, and there are no superior liens or pledges. The lien of the Gas Tax Bonds on the Gas Tax Revenues was subordinate to the lien of Third Tier Bonds, but all Third Tier Bonds have been defeased and the Master Gas Tax Revenue Bond Ordinance does not allow additional Third Tier Bonds to be issued. See Appendix A, Master Gas Tax Revenue Bond Ordinance.

Currently, the Gas Tax Revenues consist of gas tax revenues that are collected by the State of Oregon and allocated to the City by the Oregon Legislative Assembly, and the City's share of gas tax revenues that are collected or received by Multnomah County and distributed to the City under the Gas Tax Contract. The City does not currently impose or collect gas taxes, and is not currently authorized to do so. (See "PORTLAND BUREAU OF TRANSPORTATION FINANCIAL AND OPERATING INFORMATION – REVIEW OF THE CITY'S GAS TAX REVENUES.")

RESERVE FUND

The 2011 Series A Bonds also are secured by the Gas Tax Reserve Fund. The City has covenanted to maintain in the Gas Tax Reserve Fund an amount equal to the Gas Tax Reserve Requirement, but solely from Gas Tax Revenues. Amounts in the Gas Tax Reserve Fund may only be used to pay debt service on Gas Tax Bonds. At closing, amounts deposited in the Gas Tax Reserve Fund, including amounts available to be drawn under a Gas Tax Reserve Credit Facility, will fully fund the Gas Tax Reserve Requirement. See Section 1.E.2 of the Master Gas Tax Revenue Bond Ordinance in Appendix A.

GAS TAX RESERVE CREDIT FACILITIES

The City previously has funded the Gas Tax Reserve Fund with "Gas Tax Reserve Credit Facilities." The Master Gas Tax Revenue Bond Ordinance states that a Gas Tax Reserve Credit Facility is a Credit Facility issued for the purpose of funding, in lieu of cash, all or any portion of the Gas Tax Reserve Requirement, under which the Credit Provider agrees to unconditionally provide the City with funds for the payment of Gas Tax bonds. A Credit Facility is defined as "a letter of credit, municipal bond insurance policy, a surety bond, standby bond purchase agreement or other credit enhancement device which is obtained by the City to secure Bonds, and which is issued or provided by a Credit Provider whose long-term debt obligations or claims paying ability (as appropriate) are rated one of the two highest rating categories by a Rating Agency which rated the bonds secured by the Credit Facility." The City is not obligated to replace the Credit Facility in the event that the rating of the Credit Facility provider is downgraded below one of the two highest rating categories subsequent to the issuance of the bonds to which the Credit Facility applies.

The following table describes outstanding Gas Tax Reserve Credit Facilities that are credited to Gas Tax Reserve Fund.

Table 3
CITY OF PORTLAND, OREGON
Gas Tax Reserve Credit Facilities and Provider (1)

Date of Issue	Termination Date	Surety Provider	Surety Face Amount	Insurer's Moody's Rating
06/01/1998	06/01/2018	AGM (2)	\$252,000	Aa3
03/07/2005	06/01/2016	AGM (2)	\$440,000	Aa3

Notes:

- (1) As of September 1, 2011.
- (2) The City purchased Reserve Credit Facilities from FSA for the Gas Tax Revenue Bonds. Assured Guaranty acquired FSA and the surety bond provider for these bonds is now Assured Guaranty Municipal Corp. ("AGM")

Source: City of Portland.

DEPOSIT, USE AND PLEDGE OF REVENUES

Pursuant to the Master Gas Tax Revenue Bond Ordinance, the City covenants to deposit all Gas Tax Revenues into the Transportation Operating Fund, which is held by the City. The City covenants for the benefit of all Owners of the Gas Tax Bonds, including the 2011 Series A Bonds, that it will apply Gas Tax Revenues for the following purposes in the following order of priority:

1. On or before each Gas Tax Bond Payment Date, an amount sufficient to pay in full all Gas Tax Bond principal, interest, and premium, if any, which are due on that Gas Tax Bond Payment Date.
2. On the schedule specified in the Master Gas Tax Revenue Bond Ordinance, any amounts needed to maintain or restore the balance in the Gas Tax Reserve Fund to the level of the Gas Tax Reserve Requirement.
3. On any date, Gas Tax Revenues may be used to pay Subordinate Obligations or for any other lawful purpose.

Note that the Master Gas Tax Revenue Bond Ordinance requires the City to use Gas Tax Revenues to pay Third Tier Bonds before Gas Tax Bonds are paid. However, all Third Tier Bonds have been paid or defeased, and the Master Gas Tax Revenue Bond Ordinance does not permit the City to issue additional Third Tier Bonds. Accordingly, references to Third Tier Bonds and the use of Gas Tax Revenues to pay the Third Tier Bonds have been deleted from the body of this Official Statement. Those references are, however, still included in the Master Gas Tax Revenue Bond Ordinance in Appendix A.

ADDITIONAL BONDS

The City has covenanted in Section 3 of the Bond Declaration that the City will not issue Additional Gas Tax Bonds while the 2011 Series A Bonds are Outstanding unless there has been filed with the City Auditor a certificate of the Debt Manager and the Director of the Portland Bureau of Transportation stating that the sum of the Gas Tax Revenues for any twelve consecutive of the preceding twenty four months was at least equal to 2.50 times Maximum Combined Debt Service, with the proposed Additional Gas Tax Bonds treated as Outstanding. The Master Gas Tax Revenue Bond Ordinance also requires that:

1. no Gas Tax Event of Default under the Master Gas Tax Revenue Bond Ordinance has occurred and is continuing;
2. at the time of the issuance of the Additional Gas Tax Bonds, there is no deficiency in the Gas Tax Reserve Fund.

However, the City may issue Additional Gas Tax Bonds to refund Bonds without complying with the requirements of the preceding section if the refunded Bonds are defeased on the date of delivery of the refunding Additional Gas Tax Bonds and if the annual debt service on the refunding Additional Gas Tax Bonds does not exceed the annual debt service on the refunded Bonds by more than \$5,000.

The Master Gas Tax Revenue Bond Ordinance has additional limits on the issuance of Additional Gas Tax Bonds for purposes other than refunding. See Section 1.G.2 of the Master Gas Tax Revenue Bond Ordinance in Appendix A. However, those additional limits are less restrictive than the limit described in the first paragraph of this section.

OTHER COVENANTS

The City covenants for the benefit of the Owners of the Bonds that it will:

1. Not agree to any reduction in the Gas Tax Revenues which may reasonably be expected, during any Fiscal Year in which Bonds are Outstanding, to cause the Gas Tax Revenues to fall below 1.75 times Maximum Combined Debt Service.
2. Estimate the Gas Tax Revenues it expects to receive each Fiscal Year. If the City estimates that the Gas Tax Revenues it will receive in a Fiscal Year plus other Gas Tax Revenues available in the Transportation Operating Fund will not be sufficient to pay the Bonds, the City shall, to the extent permitted by law, impose and collect Gas Tax Revenues to pay the Bonds. The City is not currently authorized to impose gas taxes.

3. Issue obligations having a claim on the Gas Tax Revenues which is equal to the Gas Tax Bonds only as provided in Section 1.G.2 of the Master Gas Tax Revenue Bond Ordinance.
4. Not take any action which would cause interest on the Bonds to become includable in gross income under the Code.

See Sections 1.F and 1.R.4 of the Master Gas Tax Revenue Bond Ordinance in Appendix A.

AMENDMENTS, DEFAULTS, AND REMEDIES

The City may amend the Master Gas Tax Revenue Bond Ordinance for certain purposes without consent of Bond owners, and for other purposes with the consent of not less than 51% of the Owners. See Appendix A, Master Gas Tax Revenue Bond Ordinance, Section 1.H and Section 1.K

Not all failures to comply with the Master Gas Tax Revenue Bond Ordinance create defaults. The Bonds are not subject to acceleration if a default occurs. Ten percent of affected Owners may waive defaults, other than Bond payment defaults. See Appendix A, Master Gas Tax Revenue Bond Ordinance, Section 1.J.

PROPOSED AMENDMENTS

Section 7 of the Bond Declaration lists certain amendments that the City has reserved the right to make to the Master Gas Tax Revenue Bond Ordinance without the consent of the Owners of the Bonds. Those amendments generally allow the City to: (a) remove all references to Third Tier Bonds and related concepts; (b) convert “Fiscal Periods” to months; (c) divide the Reserve Account into subaccounts and secure different series of Gas Tax Bonds with different subaccounts in the Reserve Account if each subaccount is funded at the Reserve Requirement, calculated based on the Bonds that are secured by that subaccount; (d) make changes that replace Section 1.G.2(a)(3) with the covenant in Section 3 of the Bond Declaration; and (e) convert the Master Gas Tax Revenue Bond Ordinance into a Master Gas Tax Revenue Bond Declaration. By purchase and acceptance of the 2011 Series A Bonds, the Owners of the 2011 Series A Bonds will be deemed to have irrevocably consented to the amendments to the Bond Declaration that are described in Section 7 of the Bond Declaration. See Appendix B – “BOND DECLARATION.”

PBOT OPERATIONS

THE CITY'S TRANSPORTATION SYSTEM

The Portland metropolitan area supports an extensive transportation network, including roads and bridges, mass transit, and sidewalks. The State, the County, the Tri-County Metropolitan Transportation District ("Tri-Met") and the City share responsibilities for operating and maintaining various components of the transportation system. See "CITY ECONOMIC CHARACTERISTICS – Transportation and Distribution" herein.

The City's responsibility for the transportation infrastructure includes maintenance and operations of the assets shown in the table below. Citywide, these assets have a replacement value of \$8 billion. Major components of the inventory include:

Table 4
CITY OF PORTLAND, OREGON
Transportation Assets Owned and Operated by the City

Improved Streets	4,931 lane miles
Sidewalks	8,781,173 sq yds
Bikeways	324 centerline miles
Bridges	159
Signals	1,070
Street Lights	54,911
Parking Meters	1,875
Street Signs	150,640

ORGANIZATION AND STAFF OF PBOT

PBOT comprises three groups that plan, oversee, and manage, that are responsible for building, managing, maintaining, and facilitating an effective and safe transportation system and providing access and mobility throughout the City.

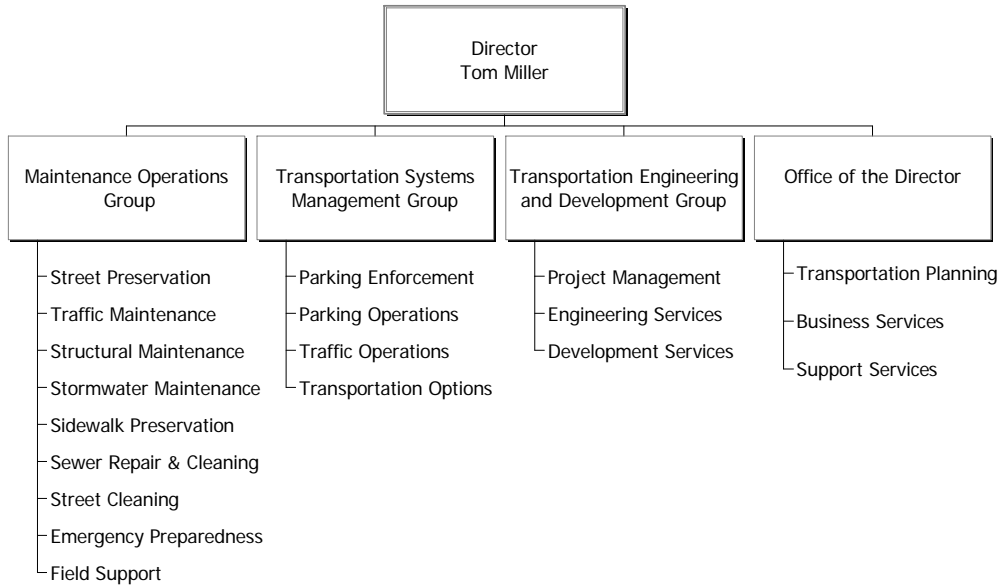
PBOT's internal management structure combines the efforts of the Director's Office with three groups: Maintenance Operations, Transportation Systems Management and Transportation Engineering and Development. PBOT has a management team consisting of eight individuals led by the Director of Transportation.

PBOT has a work force of 761 full-time equivalent positions in the adopted FY 2011-12 Budget. These positions are distributed to the four bureaus as follows:

- Office of the Director — 73 positions
- Bureau of Maintenance — 394 positions
- Bureau of Transportation Systems Management — 105 positions
- Bureau of Transportation Engineering and Development — 189 positions

The following chart depicts PBOT's organizational structure.

Portland Bureau of Transportation



Office of the Director

The Office of the Director provides overall administrative, financial, and planning guidance and support for PBOT. Responsibilities include development and implementation of transportation policies; participation in local and regional planning and transportation projects; and advocacy for City interests. The Office of the Director provides transportation studies and plans for development areas, coordinates the City's participation in the Regional Transportation Plan, and supports the City's goals for housing and employment growth in specific districts of the City. The Office of the Director is currently organized into the following programs;

- Transportation Planning Program
- Business Services
- Support Services

Maintenance Operations Group

The Maintenance Operations Group is responsible for preserving transportation facilities and sewer infrastructure by inspecting, cleaning, maintaining and repairing all transportation- and sewer-related infrastructure in the City. In addition, this group responds to emergencies such as storms, floods, and other incidents that inhibit safe transportation. The Maintenance Operations Group is currently organized into the following programs:

- Street Preservation
- Traffic Maintenance
- Structural Maintenance
- Stormwater Maintenance
- Sidewalk Preservation
- Sewer Repair & Cleaning
- Street Cleaning
- Emergency Preparedness
- Field Support

Transportation Systems Management Group

The Transportation Systems Management Group manages and operates the transportation and parking systems of the City. Responsibilities include maintaining and improving safety for travelers, reducing the number of traffic accidents, optimizing the efficiency of the transportation system; protecting the livability of the City's residential areas while accommodating economic development, and maintaining and improving on-street paid parking to facilitate economic growth. The Transportation Systems Management Group is currently organized into the following programs:

- Parking Enforcement
- Parking Operations
- Traffic Operations
- Transportation Options

Transportation Engineering and Development Group

The Transportation Engineering and Development Group is the capital investment and development service arm of PBOT. Responsibilities include developing and managing a variety of transportation capital projects that are multi-modal and responsive to the land use and urban design objectives in the community. Capital projects are organized into seven categories: Centers and Main Streets, Freight and Industrial Areas Street, Local Development, Neighborhood Livability, Preservation and Rehabilitation, Safety and Congestion Management, and Special Projects.

The Transportation Engineering and Development Group provides survey, design, inspection, and construction management and technical support for capital improvement projects. This group also manages, operates and maintains the traffic signal and streetlighting systems for the City. This group also ensures the safety and serviceability of the City's bridges. The Transportation Engineering and Development Group is currently organized into the following programs:

- Project Management Program
- Engineering Services Program
- Development Services Program

Management Personnel

The following are brief biographies of senior management team personnel.

Tom Miller is the Director of the Portland Bureau of Transportation, where he oversees all bureau operations. He is a member of the Oregon State Bar, a graduate of Lewis & Clark Law School, and the University of Colorado. Previously, Mr. Miller served as Chief of Staff to Portland Mayor Sam Adams.

Lavinia Gordon, Transportation Systems Group Manager of the Bureau. She is responsible for Traffic Operations, Transportation Options, Parking Operations and Parking Enforcement. She has a J.D. from Lewis and Clark Law School and a B.A. from Smith College. Ms. Gordon has worked for the Bureau of Transportation for 20 years. Prior to her work in transportation she was an Assistant Corporate Counsel for Portland General Electric in Portland.

Eric Peterson, Group Manager, serves as Maintenance Operations Manager for the Bureau of Transportation. He is responsible for the daily activities of Maintenance Operations which covers all street and structures maintenance activities such as paving operations, traffic markings, bridge and tunnel repairs, retaining walls, pedestrian and vehicular structures as well as all systems related to bicycle and pedestrian infrastructure. Mr. Peterson has been with the City of Portland for over 20 years. Prior to the City of Portland, Mr. Peterson has been a City Manager, City Administrator, Public Works Director, Heavy Construction Manager and Engineering Geologist. He has a B.S. in Geology from Boise State University with advanced studies in Mining Safety.

Suzanne Kahn is the Maintenance Group Manager responsible for Emergency Management, Environmental Systems and Programs, Logistics and Operations including communications, facilities, fleet, and stores, plus Safety and Training programs and Street Cleaning and street area landscape maintenance within the Portland Bureau of Transportation. Ms. Kahn has spent the bulk of her career in public sector senior leadership positions in human resources and management of multi-disciplinary operations with the last ten years focused on municipal infrastructure (water, sewer and transportation). She holds both a Master of Science degree from the University of Wisconsin and a Bachelor of Science from Purdue University in addition to numerous continuing education courses in human resources and public administration.

Greg Jones is the Group Manager Development Services and Capital. He is responsible for management and implementation of the Capital Program, as well as all development services activities. Mr. Jones has six senior managers that supervise various project managers, engineers, project control systems, right of way management, and development review. He has over 31 years experience with PBOT in planning and Capital Program management as well as experience as a private consultant.

Steve Townsen is the City Engineer and manages Engineering and Technical Services for the Portland Bureau of Transportation which includes Surveying, Civil Design, Bridges and Structures, Traffic Signals, Street Lights, Intelligent Transportation Systems, Construction, Inspection, and Pavement Management. He has Bachelor's degrees from Oregon State University in Mathematics, Math Education and Civil Engineering. Mr. Townsen has worked for consultants and public agencies and has almost 20 years of engineering and management experience including the past 5 years as the City Engineer.

Paul Smith directs PBOT's Planning Division in the planning of street and intersection improvements, light rail, streetcar, bus, bicycle and pedestrian facilities for the City of Portland. He directs the preparation of the City's Transportation System Plan which sets overall city transportation policy and establishes investment priorities. He provides direct transportation policy and programmatic support to the Transportation Commissioner (Mayor) and Portland City Council. He secures funds for City of Portland capital transportation projects through the MPO process. He serves as PBOT's state legislative liaison and works with the Congressional delegation and their staff to secure direct federal transportation funding for City projects. Mr. Smith holds a Master of City Planning degree from the University of California, Berkeley and a B.A. from the College of Charleston. He has published articles in professional journals including the Urban Lawyer (ABA) and Town Planning Review (University of Liverpool). He has 30 years of professional transportation experience.

ANNUAL DISCLOSURE INFORMATION FOR THE CITY

In conformance with SEC Rule 15c2-12, as amended (17 CFR Part 240, §.15c2-12), the City will provide annually the updated historical financial information and operating data of the type presented in this section entitled “ANNUAL DISCLOSURE INFORMATION FOR THE CITY” and the next section entitled “PBOT FINANCIAL AND OPERATING INFORMATION” to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system, so long as the MSRB approves of its use. See Appendix E, “Continuing Disclosure Certificate” herein.

FINANCIAL OPERATIONS

Basis of Accounting

The governmental fund types, expendable trust funds and agency funds are maintained on the modified accrual basis of accounting. The accounting practices of the City conforms to generally accepted accounting principles.

Fiscal Year

July 1 to June 30.

Audits

The Oregon Municipal Audit Law (ORS 297.405 - 297.555) requires an audit and examination be made of the accounts and financial affairs of every municipal corporation at least once each year. The audit shall be made by accountants whose names are included on the roster prepared by the State Board of Accountancy. Moss Adams LLP has performed auditing services for FY 2002-03 through FY 2009-10.

A complete copy of the City’s FY 2009-10 audit is available on the City’s web site at <http://www.portlandonline.com/omf/index.cfm?c=54148>. The City’s web site is listed for reference only, and is not part of this Official Statement. Excerpts of the City’s audited financial statements for the City’s General Fund on a Generally Accepted Accounting Principles (GAAP) basis are found in Appendix C.

FINANCIAL REPORTING

The City has been awarded the Government Finance Officers Association (“GFOA”) Certificate of Achievement for Excellence in Financial Reporting every year since 1982. According to the GFOA, the Certificate of Achievement is the “highest form of recognition in the area of governmental financial reporting.” To be awarded the certificate, a governmental unit must publish an easily readable and efficiently organized comprehensive financial report whose content conforms to program requirements and satisfies both generally accepted accounting principles and applicable legal requirements.

CITY BUDGET PROCESS

The City prepares annual budgets for all its bureaus and funds in accordance with provisions of Oregon Local Budget Law. The law provides standard procedures for the preparation, presentation, administration, and public notice for public sector budgets. At the outset of the process, the Mayor or the full City Council reviews overall goals, establishes priorities, and provides direction to bureaus. The Council conducts an extensive public information process to obtain direct public input on City service priorities, and most bureaus include key stakeholders in developing their budget requests. In addition to this public outreach process, the City created the Portland Utilities Review Board (the “PURB”) in 1994. The PURB, an appointed body of nine interested citizens who provide independent and representative customer review of water, sewer, stormwater, and solid waste financial plans and rates, operates in an advisory capacity to Council.

A five-year General Fund financial forecast, which serves as the basis for determining resources available for budgeting, is also provided to the City Council along with budget requests. Major City bureaus generally prepare and submit five-year financial plans and Capital Improvement Plans.

Bureau budget requests are reviewed by the Mayor and Council members, as well as a panel of community advisors. The Mayor develops a Proposed Budget that addresses City Council priorities, public input, and balancing requirements. Following presentation of the Proposed Budget, a community hearing is scheduled wherein public testimony is taken. A budget summary

and notice of hearing are published prior to the hearings. The City Council, sitting as the Budget Committee, considers the testimony from the community and can alter the budget proposal before voting to approve the budget.

The City Council transmits the Approved Budget to the Tax Supervising and Conservation Commission (the "TSCC"), an oversight board appointed by the governor, for public hearing and review for compliance with budget law. Upon certification by the TSCC, the City Council holds a final public hearing prior to adoption. Final adoption of the City's budget is required to be through a vote of the Council no later than June 30. All committee meetings and budget hearings are open to the public.

INSURANCE

The City is self-insured for workers' compensation, general liability claims and certain employees' medical coverage in internal service funds. The Oregon Tort Claims Act (ORS 30.260 to 30.300) limits certain claims against the City for personal injury, death and property damage or destruction as described below. Claims under federal jurisdiction are not subject to such limitations. The City estimates liability for incurred losses for reported and unreported claims for workers' compensation, general and fleet liability and employee medical coverage (included in accrued self insurance claims in the combined statement of net assets).

Workers' compensation, general and fleet liability estimates are primarily based on individual case estimates for reported claims and through historical data for unreported claims as determined by the City's Risk Management Division and independent actuarial studies. Liabilities are based on estimated ultimate cost of settling claims, including effects of inflation and other societal and economic factors. The estimated liability is then discounted by the City's expected rate of return and anticipated timing of cash outlays to determine present value of the liability. For fiscal year ended June 30, 2011, the expected rate of return is 0.65 percent. For fiscal year ending June 30, 2012, the expected rate of return is 0.50 percent. The Bureau of Human Resources and the employee benefits consultant determines relevant employees' medical coverage estimates.

The City provides insurance coverage deemed as adequate, appropriate, and actuarially sound. It meets all the City's anticipated settlements, obligations and outstanding liabilities. Furthermore, current levels of accrued claims and retained earnings are viewed as reasonable provisions for expected future losses. An excess liability coverage insurance policy covers individual claims in excess of \$1,000,000. The City's limits of coverage on the excess liability policy is \$30 million per claim above the \$1 million self-insurance retention. Currently the City has one open claim that may exceed the self-insured retention. This claim may be mediated in September 2011. It is schedule for trial in February 2012. An excess workers' compensation coverage insurance policy covers claims in excess of \$750,000. Currently this excess insurance will cover up to statutory limits.

Personal Injury and Death Claim

Under ORS 30.272, the liability of a local public body and its officers, employees and agents acting within the scope of their employment or duties, to any single claimant for covered personal injury or death claims (and not property claims) arising out of a single accident or occurrence may not exceed \$533,300 for causes of action arising on or after July 1, 2010, and before July 1, 2011. This cap increases incrementally through June 30, 2015, to \$666,700. The liability limits to all claimants for covered personal injury or death claims (and not property claims) arising from a single accident or occurrence increases to \$1,066,700, for causes of action arising on or after July 1, 2010, and before July 1, 2011, and incrementally to \$1,333,300 for causes of action arising on or after July 1, 2014, and before July 1, 2015.

For causes of action arising on or after July 1, 2015, the liability limits for both a single claimant and all claimants will be adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in ORS 30.272. The adjustment may not exceed three percent for any year.

Property Damage or Destruction Claim

Under ORS 30.273, the liability of a public body and its officers, employees and agents acting within the scope of their employment or duties, for covered claims for damage and destruction of property that arise from causes of action arising on or after July 1, 2011, and before July 1, 2012, are as follows: (a) \$101,400 for any single claimant and (b) \$506,900 to all claimants. These liability limits are adjusted based on a determination by a State Court Administrator of the percentage increase or decrease in the cost of living for the previous calendar year as provided in the formula in ORS 30.273. The adjustment may not exceed three percent for any year.

PENSION PLANS

General

Substantially all City employees (other than most fire and police personnel), after six months of employment, are participants in three retirement pension benefit programs under the State of Oregon Public Employees Retirement System (“PERS” or the “System”) – Tier 1, Tier 2, or the Oregon Public Service Retirement Plan (“OPSRP”).

The Tier 1 and Tier 2 pension programs (the “T1/T2 Pension Programs”) are defined benefit pension plans that provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire. Retirement benefits for T1/T2 Pension Program members are based on final average salary and length of service and are calculated under a full formula method, formula plus annuity method, or money match (defined contribution) method if a greater benefit results.

Public employees hired on or after August 29, 2003, become part of OPSRP, unless membership was previously established in the T1/T2 Pension Program. OPSRP is a hybrid (defined contribution/defined benefit) pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund the Individual Account Program (“IAP”) under the separate defined contribution program. Beginning January 1, 2004, active members of the T1/T2 Pension Program became members of the IAP under OPSRP and their employee contributions were directed to the member’s IAP account and will be part of a separate defined contribution program.

Oregon statutes require an actuarial valuation of the System by a competent actuary at least once every two years. Under current practice, actuarial valuations are performed annually, but only valuations as of the end of each odd-numbered year are used to determine contribution rates that employers will be required to pay to fund the obligations of T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account Plan (“RHIA”). See “POST-EMPLOYMENT RETIREMENT BENEFITS” below.

In September 2008, Mercer Human Resource Consulting (“Mercer”), the PERS actuary, released the City’s 2007 actuarial valuation report (the “2007 City Report”), which includes the City’s share of the System’s actuarial accrued liabilities and assets as of December 31, 2007 and provides the City’s employer contribution rates that are currently in effect (effective from July 1, 2009 through June 30, 2011). In October 2010, Mercer released an actuarial valuation for the City as of December 31, 2009 (the “2009 City Report”), which included the City’s share of the System’s actuarial accrued liability as of December 31, 2009 and provides the City’s employer contribution rates for the 2011-2013 biennium.

Employer Asset Valuation and Liabilities

An employer’s share of PERS’s UAL is the excess of the actuarially determined present value of the employer’s benefit obligations to employees over the existing actuarially determined assets available to pay those benefits.

The City is pooled with the State of Oregon and other Oregon local government and community college public employers for its T1/T2 Pension Programs (the “State and Local Government Rate Pool” or “SLGRP”), and the SLGRP’s assets and liabilities are pooled. These assets and liabilities are not tracked or calculated on an employer basis or allocated to individual employers. The City’s portion of the SLGRP’s assets and liabilities is based on the City’s proportionate share of SLGRP’s pooled covered payroll. OPSRP’s assets and liabilities are pooled on a program-wide basis. These assets and liabilities are not tracked or calculated on an employer basis or allocated to individual employers. The City’s allocated share of OPSRP’s assets and liabilities is based on the City’s proportionate share of OPSRP’s pooled covered payroll. The City’s proportionate liability of the T1/T2 Pension Programs and OPSRP may increase if other pool participants fail to pay their full employer contributions.

The table below is a summary of principal valuation results from the 2007 City Valuation and the 2009 City Report.

Table 5
CITY OF PORTLAND, OREGON
Valuation Results for 2007 and 2009
(as of December 31)

	<u>2007</u>	<u>2009</u>
Allocated Pooled T1/T2 UAL/ (surplus)	(\$221,774,371)	\$178,802,989
Allocated Pooled OPSRP UAL/ (surplus)	(2,425,248)	3,216,137
Net unfunded pension actuarial accrued liability/(surplus)	<u>(\$224,199,619)</u>	<u>\$182,019,126</u>

Source: City of Portland, Oregon Public Employees Retirement System, 12/31/07 Valuation Report prepared by Mercer Human Resource Consulting and City of Portland, Oregon Public Employees Retirement System, 12/31/09 Valuation Report prepared by Mercer Human Resource Consulting.

Significant actuarial assumptions and methods used in the valuations included: (a) Projected Unit Credit actuarial cost method, (b) asset valuation method based on market value, (c) rate of return on the investment of present and future assets of 8%, (d) payroll growth rate of 3.75%, (e) consumer price inflation of 2.75% per year, and (f) UAL amortization method of a level percentage of payroll over 20 years (fixed) for the T1/T2 Pension Programs and 16 years (fixed) for OPSRP.

The funded status of the System and the City, as reported by Mercer, changes over time depending on the market performance of the securities that the Oregon Public Employees Retirement Fund (the "OPERF") is invested, future changes in compensation and benefits of covered employees, any additional lump sum deposits made by employers, demographic characteristics of members and methodologies and assumptions used by the actuary in estimating the assets and liabilities of PERS. No assurance can be given that the unfunded actuarial liability of PERS and of the City will not materially increase.

Employer Contribution Rates

Employer contribution rates are based upon the current and projected cost of benefits and the anticipated level of funding available from the OPERF, including known and anticipated investment performance of the OPERF. The City's current employer contribution rates are based on the 2007 City Report. These rates became effective on July 1, 2009 and are effective through June 30, 2011. The 2009 City Report provides employer contribution rates for the 2011-2013 biennium.

In January 2010 the PERS Board adopted a revised implementation of the rate collar limiting increases in employer contribution rates from biennium to biennium (the "Rate Collar"). Under normal conditions, the Rate Collar is the greater of three percent of payroll or 20 percent of the current base rate. If the funded status of the SLGRP is below 80 percent, the Rate Collar increases by 0.3 percent for every percentage point under the 80 percent funded level until it reaches six percent at the 70 percent funded level. The 2009 System Valuation found that the SLGRP was 77 percent funded, resulting in a Rate Collar of 3.9 percent. The Rate Collar limits increases in employer contribution rates before rate reductions from side accounts are deducted, and does not cover charges associated with RHIA and RHIPA. Because the 2011-2013 employer contribution rates were reduced by the Rate Collar, further rate increases are anticipated for the 2013-2015 biennium. Presently, PERS anticipates that system-wide, the 2013-2015 rates will be increased by approximately 5 percent of covered payroll as a result of the implementation of the Rate Collar in the 2011-2013 biennium. This increase, however, will be subject to change based on the investment performance of OPERF and other factors. The City's actual 2013-2015 contribution rate increase also may vary from the system-wide number.

The table below shows the City’s current employer contribution rates and the 2011-2013 rates.

Table 6
CITY OF PORTLAND, OREGON
Current and Future Employer Contribution Rates
(Percentage of Covered Payroll)

	Current Rates			Future Rates		
	2009-2011			2011-2013		
	T1/T2	OPSRP General	OPSRP P&F	T1/T2	OPSRP General	OPSRP P&F
Total net pension contribution rate	4.01%	4.85%	7.56%	8.71%	7.19%	9.90%

Source: City of Portland, Oregon Public Employees Retirement System, 12/31/07 Valuation Report prepared by Mercer Human Resource Consulting and City of Portland, Oregon Public Employees Retirement System, 12/31/09 Valuation Report prepared by Mercer Human Resource Consulting.

Currently, one percent of covered payroll for the three pension benefit programs is approximately: \$1,876,136 for T1/T2 Pension Programs; \$798,072 for OPSRP general services; and \$136,227 for OPSRP police and fire. The City’s contribution rates may increase or decrease due to a variety of factors, including the investment performance of the OPERF, the use of reserves, further changes to system valuation methodology and assumptions and decisions by the PERS Board and changes in benefits resulting from legislative modifications.

T1/T2 Pension Program employees and OPSRP employees are required by state statute to contribute six percent of their annual salary to the respective programs. Employers are allowed to pay any or all of the employees’ contribution in addition to the required employers’ contribution. The City has elected to make the employee contribution. An employer also may elect via written employment policy or agreement to make additional employer contributions to its employees’ IAP accounts in an amount that can range from not less than one percent of salary to no more than six percent of salary and must be a whole percentage. Employers may make this policy or agreement for specific groups of their employees. The City has elected to make an optional contribution to the IAP accounts of public safety employees hired after January 1, 2007 of an additional three percent of their annual salary. The rates reported in Table 6 above do not include the six percent and nine percent employee contribution rates for contributions to the IAP paid by the City.

In addition to the City’s employer rate, each City bureau is required to make a contribution to pay debt service on outstanding Limited Tax Pension Obligation Revenue Bonds originally issued in FY 1999-2000 to fund the City’s share of the unfunded actuarial liabilities of PERS as of December 31, 1997.

Fire and Police Disability and Retirement Fund

The following discussion pertains to the City’s Fire and Police Disability and Retirement (“FPDR”) Fund. Most of the fire and police personnel are covered under the FPDR Plan. The FPDR Plan consists of three tiers, two of which are now closed to new employees. FPDR One, the original plan, and FPDR Two, in which most active fire and police personnel participate, are single-employer, defined-benefit plans administered by the FPDR Board. FPDR Three participants are part of OPSRP for retirement benefits and are under the FPDR Plan for disability and death benefits. For information regarding OPSRP and the employee and employer contribution rates for OPSRP see “PENSION PLANS – General,” above. The authority for the FPDR Plan’s vesting and benefit provisions is contained in the Charter of the City. Fire and police personnel generally become eligible for membership in the FPDR Plan immediately upon employment. The FPDR Plan provides for service connected disability benefits at 75 percent of salary, reduced by 50 percent of any wages earned in other employment with a 25 percent of salary minimum, for the first year of disability and 25 to 75 percent of salary in later years, depending on medical status and ability to obtain other employment. The FPDR Plan also provides for non-service connected disability benefits at reduced rates of base pay.

Effective July 1, 1990, the FPDR Plan was amended to create the FPDR Two tier, which provides for the payment of benefits upon termination of employment on or after attaining age fifty-five, or on or after attaining age fifty if the member has twenty-five or more years of service. Members become 100 percent vested after five years of service. Members enrolled in the FPDR Plan prior to July 1, 1990 were required to make an election as to whether they wished to fall under the provisions of the FPDR Plan as constituted prior to July 1, 1990 (now called FPDR One) or become subject to the new FPDR Two provisions after June 30, 1990.

On November 7, 2006, voters in the City of Portland passed a measure that created the FPDR Three tier and changed the retirement plan benefits of new members to OPSRP. The FPDR levy pays the employee and employer portions of the OPSRP contribution. This move is expected to increase property taxes for 35 years. Performance audits have been implemented to assess the implementation of the FPDR Plan reforms. The initial and follow-up disability program audits have been performed, and a pension program audit was completed in January 2010.

Another ballot measure passed by the voters November 6, 2007 also changed the medical coverage for retirees of the FPDR Fund. The change is effective for retirees after January 1, 2007. Under the ballot measure, the FPDR Fund will pay medical and hospital expenses associated with retired police and firefighters' for job-related injuries and illnesses accepted before retirement. New state legislation governing workers' compensation law requires that the FPDR Fund treat 12 cancers as presumptive occupational illnesses for firefighters effective January 1, 2010.

The FPDR Plan is funded by a special property tax levy which cannot exceed two and eight-tenth mills on each dollar of valuation of property (\$2.80 per \$1,000 of real market value) not exempt from such levy. In the event that funding for the FPDR Plan is less than the required payment of benefits to be made in any particular year, the FPDR Fund could receive advances from the FPDR Reserve Fund first and other City funds second, to make up the difference. Repayment of advances, if any, would be made from the special property tax levy in the succeeding year. In the event that the special property tax levy is insufficient to pay benefits because benefits paid exceed the two and eight-tenth mills limit, other City funds would be required to make up the difference. The FY 2010-11 levy of \$118,526,184 required a tax rate of \$2.6348 per \$1,000 of assessed property value, or approximately \$1.3722 per \$1,000 of gross real market value.

In accordance with the Charter's provisions, there are no requirements to fund the Plan using actuarial techniques, and the Charter indicates that the City cannot pre-fund the FPDR Plan benefits. As required by the Charter, the FPDR Fund's Board of Trustees estimates the amount of money required to pay and discharge all requirements of the FPDR Fund for the succeeding fiscal year and submits this estimate to the City Council. The Council is required by Charter to annually levy a tax sufficient to provide amounts necessary to fund the estimated requirements for the upcoming year provided by the FPDR Fund's Board of Trustees. While the FPDR Fund has not experienced any funding shortfalls to date, future funding is dependent on the availability of property tax revenues and, in the absence of sufficient property tax revenues, City funds.

The FPDR Fund's Board periodically assesses the future availability of property tax revenues by having projections and simulations performed in connection with the Actuarial Valuation of the Fund. The most recent assessment was as of July 1, 2010. The Fund's Board believes that, under a wide range of simulated economic scenarios in the foreseeable future, the future FPDR Fund levy would remain under \$2.80 per \$1,000 of real market value, but reaching the \$2.80 threshold has a five percent or greater probability level starting in 2023 and an almost 10 percent probability in 2029.

Recognizing that the economic conditions have changed significantly over the past few years, the City reviewed the discount rate and assumptions utilized in the calculations of the actuarial valuation, actuarial accrued pension liabilities, and net pension obligation, and determined they should be revised to more closely match the funding and investment returns that actually are achieved under existing investment. The City revised the rate for the July 1, 2010, valuation from 4.50 percent to 4.00 percent. This change increased the unfunded actuarial liability by \$190 million. Overall the unfunded actuarial liability increased from \$2.21 billion on July 1, 2008 to \$2.53 billion on July 1, 2010.

OTHER POST-EMPLOYMENT RETIREMENT BENEFITS ("OPEB")

The City's OPEB liability includes two separate plans. The City provides a contribution to the State of Oregon PERS cost-sharing multiple-employer defined benefit plan and an implicit rate subsidy for retiree Health Insurance Continuation premiums.

PERS Program

Retirees who receive pension benefits through the T1/T2 Pension Programs and are enrolled in certain PERS-administered health insurance programs may also receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premiums under the RHIA program. RHIA's assets and liabilities are pooled on a system-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City's allocated share of the RHIA program's assets and liabilities is based on the City's proportionate share of the program's pooled covered payroll. According to the 2009 City Report, the City's allocated share of the RHIA program's UAL is \$10,603,769 as of December 31, 2009.

The City's current total contribution rate to fund RHIA benefits for T1/T2 employees is 0.29 percent and for OPSRP general services employees and police and fire employees is 0.19 percent. According to the 2009 City Report, the City's contribution rates for fiscal years 2011-2013 for RHIA benefits for T1/T2 employees is 0.59 percent and for OPSRP general services employees and police and fire employees is 0.50 percent.

Health Insurance Continuation Option

Distinct from the PERS program, Oregon municipalities, including the City, are required to allow retirees and their dependents to continue to receive health insurance by paying the premiums themselves at a rate that is blended with the rate for current employees until retirees and spouses are eligible for federal Medicare coverage and until children reach the age of 18 (the "Health Insurance Continuation Option"). GASB 45 refers to this as an implicit subsidy and therefore requires the corresponding liability to be determined and reported.

The City's actuary for its OPEB liability associated with the Health Insurance Continuation Option, AON Employee Benefits Consulting, completed an actuarial valuation for purposes of complying with the GASB 45 standards. The valuation was prepared using the Entry Age Normal actuarial cost method by spreading future normal costs evenly over future service ("EAN-Service"). The valuation was prepared using an amortization period of 30 years and an assumed discount rate of five percent. The City's actuarial accrued liability for OPEB is solely attributable to the Health Insurance Continuation Option and at the valuation date of July 1, 2009 (the date of the most recent actuarial valuation), is estimated to be \$104,203,230 on an EAN-Service basis. Actuarial valuations for the Health Insurance Continuation Option are undertaken every two years. A new valuation study will be undertaken for reporting the OPEB liability as of July 1, 2011.

For fiscal year 2010, the annual required contribution (the "ARC") of the employer to be recognized as the annual employer OPEB cost is estimated to be \$10,595,075 on an EAN-Service basis. For fiscal year ended June 30, 2010, the City benefits paid on behalf of retirees exceeded the premiums they paid by \$6,457,534. The City has elected to not pre-fund the fiscal year 2010 employer's annual required contribution to the plan (ARC) of \$10,595,075. The amount unfunded in fiscal year 2010 is \$20,920,813, which is the OPEB obligation from the beginning of the fiscal year, plus the ARC for FY 2009-10, less payments made in relation to the FY 2009-10 ARC. The City expects to use a pay-as-you-go approach to fund its actuarial accrued liability and ARC, but will monitor its OPEB liability and assess whether a different approach is needed in future years.

PORTLAND BUREAU OF TRANSPORTATION FINANCIAL AND OPERATING INFORMATION

FUND ACCOUNTING SYSTEM

The PBOT financial reporting system was organized into three separate funds in the financial system operated by the City through November 25, 2008. Beginning November 26, 2008, the City implemented its SAP financial system. As part of this implementation, all grant expenditures and revenues are now accounted for in the City's Grants Fund. PBOT's funds and their financial reporting purpose are described as follows.

Transportation Operating Fund

All expenditures are made from this fund for operation, maintenance and acquisition of PBOT capital assets. All revenues except interest earned on cash balances in the Reserve Fund are received in this fund. Major external revenues are gas taxes, parking fees (meter and citation), intergovernmental revenues received via agreements with state and local governments and cost recovery revenues (service charges, licenses and permits). Internal revenues are from interfund cash transfers and interfund service reimbursements. Beginning on the date of implementation of the City's SAP financial system, all grant expenditures and revenues are recorded in the City's Grants Fund. Any grant revenues and expenditures that occurred prior to the date of implementation remained in this fund.

Transportation Reserve Fund

The Transportation Reserve Fund consists of two components: a countercyclical reserve and an emergency reserve. It is PBOT's internal policy to maintain the countercyclical reserve at a level equal to five percent of PBOT's gas tax and parking revenues. This reserve is available to maintain current service level programs or to buffer the impact of major revenue interruptions, such as those caused by an economic recession. The emergency reserve, also set by internal policy, equals five percent of PBOT's gas tax and parking revenues. This reserve is available to fund major, one-time unexpected requirements, such as those associated with a natural disaster. For FY 2010-11, PBOT's targeted balance for the Transportation Reserve Fund was \$7.8 million.

In FY 1998-99, the City Council chose to use the reserve funds for capital improvements. From that time through FY 2007-08, the reserves have been funded at about 10 percent of the targeted policy level. From FY 2008-09 through FY 2010-11, PBOT has increased the Transportation Reserve Fund balance. At the end of FY 2010-11, the Transportation Reserve Fund balance was \$2.5 million, or 32 percent of PBOT's targeted level.

Gas Tax Bond Redemption Fund

This fund is used to account for payment of principal and interest on bonds issued for certain street improvements and other projects funded with Gas Tax Revenue Bonds.

Parking Facilities Fund

This fund supports the operation and maintenance of the City-owned parking garages in the SmartPark Garage System. PBOT took over management of the garages in November 2008.

REVIEW OF THE CITY'S GAS TAX REVENUES

Annual Gas Tax Revenues received by PBOT currently comprise three elements: the City's share of the State of Oregon (the "State") gas tax receipts that are distributed by State statute on a formula basis to incorporated cities; a share of the Multnomah County (the County") allocation of State gas tax receipts distributed to counties; and a share of the County's \$0.03 per gallon business license fee. The latter two sources are received in accordance with the terms of the Gas Tax Contract. (See "Gas Tax Contract with the County" below.)

State Gas Tax Receipts

State gas tax receipts, authorized by ORS 319.020, 319.530, 803.090, 803.420, 818.225, 825.476, 825.480, 825.570 and 825.645 and distribution governed by ORS 366.739 to 366.820, have three major components: motor fuels tax, fees for vehicle registration, and weight-mile tax. The following table shows the history of these rates and fees for the past five years.

Table 7
CITY OF PORTLAND, OREGON
History of Representative State Gas Tax Rates and Fees

TAX OR FEE	2006-07	2007-08	2008-09	2009-10	2010-11
Motor fuels tax cents per gallon	\$0.24	\$0.24	\$0.24	\$0.24	\$0.30
Annual general purpose vehicle registration fee	\$27.00	\$27.00	\$27.00	\$27.00	\$43.00
Weight-mile tax 78,001 to 80,000 lbs. weight group/rate per mile	\$0.1316	\$0.1316	\$0.1316	\$.01316	\$.01638

Notes:

(1) Sample vehicle class/weights are provided for annual comparative purposes. Fees for most vehicle classes and weights increased by similar percentages per the JTA.

Source: City of Portland, PBOT.

The motor fuels tax is currently collected at the rate of \$0.30 per gallon. The weight-mile tax is levied on trucks and is based on cost responsibility studies to ensure equitable taxation of all users of the transportation system. The tax is assessed on rates per mile by weight groups. For trucks weighing more than 80,000 pounds, the number of axles per vehicle become part of the tax table. Annual vehicle registration fees for general purpose vehicles (i.e., automobiles) are \$43 paid biennially. There are additional registration fees for miscellaneous motorized vehicles and heavy vehicles. For the heavy vehicles (i.e., trucks) the fee is based on the weight group of the vehicles. Revenues are collected by the State with administrative and collection costs netted out under the authority of ORS 825.326 and 802.110. Gas tax receipts, distributed monthly, are split between the State, the counties, and the incorporated cities. Counties generally receive 24.38 percent of net gas tax receipts, which is distributed on the basis of each county's proportionate share of statewide vehicle registrations. Incorporated cities receive 15.57 percent of net gas tax receipts, distributed on the basis of each city's proportionate share of statewide population in incorporated cities.

In 2001, the legislature passed the Oregon Transportation Investment Act ("OTIA"). This act increased fees on vehicle, truck and trailer title transfers, ORS 803.420, and authorized \$400 million of bonds backed by these revenues. Revenues collected beyond the amount necessary to service the debt will be distributed between the State, counties and cities based on a formula allocating 50 percent to the State, 30 percent to counties, and 20 percent to cities.

In 2003, the legislature passed the Oregon Transportation Investment Act III ("OTIA III"). This bill increases various State vehicle fees, most notably, vehicle registration and titling fees, as well as weight-mile taxes on trucks. A section of the legislation calls for the County to dedicate a majority of its share of OTIA III revenue for the Willamette River bridges. (See "Gas Tax Contract with the County" below.) The legislation went into to effect on January 2004. Revenues collected beyond the amount necessary to service the debt is to be distributed between the State, counties and cities based on a formula allocating 50 percent to the State, 30 percent to counties, and 20 percent to cities.

In 2009, the legislature passed the Jobs and Transportation Act ("JTA"). The JTA increased the fees and taxes collected by the State. The implementation schedule varies by fee and tax. Generally, increases to Vehicle Title and Registration fees are effective September 28, 2009. Increase for registration fees for heavy commercial vehicles (over 8,001 pounds gross vehicle weight) is effective January 1, 2010. Increases to Truck Taxes (weight-mile tax) and Fees are effective October 1, 2010. Gasoline and Diesel Tax increases become effective when the Oregon Department of Administrative Services determines that there has been an increase of at least 2 percent each quarter for two or more consecutive quarters in seasonally adjusted nonfarm payroll employment or January 1, 2011, whichever comes first. Revenues collected beyond the amount necessary to service the studies and programs identified in the JTA will be distributed between the State, counties and cities based on a formula allocating 50 percent to the State, 30 percent to counties, and 20 percent to cities.

With full implementation of the JTA, the motor fuels tax is now \$0.30 per gallon, the annual general purpose vehicle registration fee is \$43, and the 78,001 to 80,000 lbs weight group/rate per mile (the weight-mile tax) is \$0.1638.

The Oregon Constitution, Article IX, Section 3a, limits the use of gas tax revenues to “construction, improvement, repair, maintenance, operation and use of public highways, roads, streets, and roadside rest areas.” In addition, ORS 366.514 mandates that one percent of distributed gas tax revenues must be spent on alternative transportation modes.

Local Gas Tax Receipts

The County levies a separate tax of \$0.03 per gallon of fuel sold at commercial fueling stations within the County. The tax effectively functions as a business license fee on gasoline distributors. It is collected by the State and is distributed to the County monthly. These revenues are part of a distribution formula contained in a gas tax contract with the County (the “Gas Tax Contract”), as described in the next section.

Gas Tax Contract with the County

In an effort to avoid a duplication of road maintenance services, the County entered into the Gas Tax Contract with the City in August 1984. The Gas Tax Contract is in full force until both sides mutually agree to its termination. The agreement provides for the orderly transfer of roads and personnel from the County to the City, funding for a capital set-aside and operation and maintenance of the Willamette River bridges owned by the County, and a formula for allocating each jurisdiction's gas tax revenues that are received from the State.

In general, the formula first pools the gas tax revenues of the City (the City's share of State gas tax revenues) and the County (the County's share of the State gas tax revenues and the County's \$0.03 per-gallon fee). To comply with OTIA III legislation, 51 percent of the County's share of OTIA III revenues (\$0.92 million in FY 2009-10) are withheld by the County for the care of the Willamette River bridges and are not pooled. After pooling these revenues, \$2.63 million, adjusted annually by the City's certified inflation rate, is credited to the County for operation and maintenance of the Willamette River bridges. Another \$1.06 million is credited to the County for a capital set-aside account for the Willamette River bridges. The remaining dollars in the pool are then allocated based on the percentage share of center-line road miles maintained by the County and the City. Currently, the County has 425.17 road miles (20 percent of the total) and the City has 1,700.83 road miles (80 percent of the total).

Although the Gas Tax Contract calls for pooling the various revenues, the pooling does not involve actual commingling of funds. State and County gas tax revenues are distributed directly to the City and the County by the State. Each quarter the amount due to each party under the agreement is calculated and the party having receipted more than their share of the revenues under the Gas Tax Contract then issues a check to the other party. As reflected in the historical tables, the City has always received all of the Gas Tax Revenues allocated to it from the State, and has received a portion of the State's allocation to the County and the local gas tax receipts imposed by the County. The County has issued checks to the City under the Gas Tax Contract each year since the agreement's inception.

HISTORICAL RESULTS

Gas Tax Revenues

The following table shows PBOT Gas Tax Revenues and debt service coverage for the past five years.

Table 8
CITY OF PORTLAND, OREGON
Historical Gas Tax Revenues and Debt Service Coverage

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Allocation of Gas Tax Revenues (Per Gas Tax Contract)					
Transfer to City of State Highway Fund Monies Received by the County	\$16,516,994	\$15,690,611	\$14,197,083	\$15,113,814	\$18,139,247
Transfer to City of Allocation of \$.03/ Gallon County License Tax	4,108,748	4,245,343	3,939,153	3,971,287	4,283,357
Subtotal – Revenues Received from County	20,625,742	19,935,954	18,136,236	19,085,101	22,422,604
Allocation of State Highway Fund Monies (1)	26,008,816	24,555,753	22,040,437	24,083,129	28,520,729
Total Gas Tax Revenues	\$46,634,558	\$44,491,707	\$40,176,673	\$43,168,230	\$50,943,333
Gas Tax Bond Debt Service	\$757,745	\$749,935	\$758,188	\$760,038	\$750,378
Gas Tax Bond Debt Service Coverage (x)	61.5	59.3	53.0	56.8	67.9

Notes:

(1) Includes Motor Fuel Taxes, Weight Mile Taxes, Vehicle Registration Fees, and Other Miscellaneous Revenues imposed and collected by the State.

Source: City of Portland, PBOT.

Financial Results for Transportation Operating Fund

Actual results of the Transportation Operating Fund resources and requirements are shown in the following table. This table reflects financial results for FY 2006-07 through FY 2009-10 as reported in the City's Comprehensive Annual Financial Report. FY 2010-11 results are unaudited.

Table 9
CITY OF PORTLAND, OREGON
Audited Historical Resources and Requirements
of the Transportation Operating Fund (1)
 (for the fiscal year ended June 30)

	2006-07	2007-08	2008-09	2009-10	2010-11 Unaudited
RESOURCES					
Licenses and permits	\$1,280,695	\$1,483,501	\$1,586,824	\$2,494,039	\$2,441,625
Intergovernmental revenues:					
State cost sharing (2)	22,064,487	7,608,094	444,679	189,181	57,275
Federal cost sharing	-	-	-	897,888	(891,113)
Grant revenue	1,600		1,677,372	1,577,431	3,329,956
State revenue sharing	26,008,816	24,555,753	22,127,606	24,083,129	28,520,729
Local government sources:					
Local revenue sharing	20,496,494	19,935,954	20,023,322	22,321,085	25,685,821
Multnomah County cost sharing	172,657	90,668	56,023	-	56,477
Local cost sharing	24,889,255	7,447,764	1,520,134	566,041	236,252
LID payments unbonded	853,857	841,257	1,002,213	224,478	183,998
Service charges and fees	31,303,155	32,519,774	27,897,848	29,655,716	34,001,341
Billings for interfund services	21,384,878	25,424,693	25,964,224	27,788,711	27,101,452
Miscellaneous	2,689,976	1,953,034	1,717,456	2,008,918	1,570,339
Other financing sources (3)	48,230,518	41,347,745	15,038,372	43,341,886	25,284,261
Beginning fund balance available for appropriation	29,471,441	21,805,638	20,237,739	9,435,675	5,850,439
Total resources	\$228,847,829	\$185,013,875	\$139,293,812	\$164,584,178	\$153,428,854
REQUIREMENTS					
Personal services	\$56,752,387	\$59,061,058	\$57,457,844	\$56,860,133	\$57,569,881
Materials and services	52,106,475	78,335,217	57,169,529	54,465,519	71,011,020
Capital outlay(2)	65,349,361	13,430,985	3,114,646	28,422,748	7,332,265
Overhead charges--General Fund	4,148,689	4,609,752	4,832,247	5,150,632	4,056,527
Debt service and related costs:					
Principal (4)	10,676,308	1,530,090	1,440,000	2,655,151	3,704,137
Interest	472,576	588,449	648,500	1,832,255	1,761,166
Debt issuance costs	0	43,136	0	0	31630
Other financing uses	17,536,395	7,177,449	51,955,371	9,347,301	1,783,426
Ending fund balance	21,805,638	20,237,740	9,435,675	5,850,439	6,178,802
Total requirements	\$228,847,829	\$185,013,875	\$186,053,812	\$164,584,178	\$153,428,854

Notes:

- (1) Totals may not foot due to rounding.
- (2) As a result of the implementation of the City's new financial system on November 26, 2008, grant activity is reported in the City's Grants Fund. Grant activity prior to the date of implementation remains in the Transportation Operating Fund. Transportation related grant activity recorded in the Grants Fund was about \$16 million in FY 2008-09, about \$64 million in FY 2009-10, and about \$98 million in FY 2010-11.
- (3) The debt service on Gas Tax Revenue Bonds is paid from the Debt Service Fund. The amounts necessary for debt service are transferred from the Operating Fund to the Debt Service Fund as payments are made. The transferred amounts are reflected in Other Financing Sources (Uses).
- (4) In FY 2006-07 PBOT made a principal payment on a line of credit of about \$5.4 million.

Source: City of Portland, PBOT.

(End of Annual Disclosure Information)

HISTORICAL AND PROJECTED GAS TAX REVENUES

The following table presents historical and projected Gas Tax Revenues over the next five years. The forecast is driven by the State's projection of Gas Tax Revenues and the effects of the Gas Tax Contract as modeled by PBOT. Gas Tax Revenues over the forecast period are projected to total \$65.5 million by FY 2016-17. The forecast is based on the State's forecast for gas tax revenues and assumes no increase in the individual tax or fee rates for Gas Tax Revenues receipts. Given the uncertainty of the regional economy and to provide more stability in program management, PBOT discounts the State's gas tax revenue forecast by four percent in forecasting the amount to be received by the City.

Projections do not include the impacts of any future bond issues that would be either secured by or paid from Gas Tax Revenues. The City is considering projects that may be initiated over the next two years that could utilize Gas Tax Revenues as a source of bond repayment. City Council approval is required prior to issuing any Additional Gas Tax Bonds or bonds paid from Gas Tax Revenues.

Table 10
CITY OF PORTLAND, OREGON
Historical and Projected Gas Tax Revenues
and Debt Service Coverage

<i>Fiscal Year Ending June 30</i>	Actual	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected	Projected	Projected
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Allocation of Gas Tax Revenues (Per Gas Tax Contract) (1)											
Transfer to City of State Highway											
Fund Monies Received by the County	\$16,516,994	\$15,690,611	\$14,197,083	\$15,113,814	\$18,139,247	\$21,984,598	\$21,847,323	\$22,348,889	\$23,353,392	\$24,287,528	\$24,894,716
Transfer to City of Allocation											
of \$.03/ Gallon County License Tax	4,108,748	4,245,343	3,939,153	3,971,287	4,283,357	4,168,862	4,142,830	4,237,941	4,428,421	4,605,558	4,720,697
Subtotal – Revenues Received from County	20,625,742	19,935,954	18,136,236	19,085,101	22,422,604	26,153,460	25,990,153	26,586,830	27,781,813	28,893,086	29,615,413
Allocation of State Highway Fund Monies	26,008,816	24,555,753	22,040,437	24,083,129	28,520,729	31,749,270	32,267,231	32,875,282	33,726,553	35,075,615	35,952,506
Total Gas Tax Revenues	\$46,634,558	\$44,491,707	\$40,176,673	\$43,168,230	\$50,943,333	\$57,902,730	\$58,257,384	\$59,462,112	\$61,508,366	\$63,968,701	\$65,567,919
Gas Tax Bond Debt Service											
1998 Series A	\$242,585	\$236,425	\$240,265	\$243,515	\$236,155	\$238,635	\$240,560	\$241,920	\$242,800	\$233,000	\$243,000
2005 Series A	515,160	513,510	517,923	516,523	514,223	510,993	517,018	511,943	515,843	513,563	-
2011 Series A (2)	0	0	0	0	0	0	1,817,219	1,821,200	1,820,600	1,816,450	1,816,250
Total Debt Service	\$757,745	\$749,935	\$758,188	\$760,038	\$750,378	\$749,628	\$2,574,797	\$2,575,063	\$2,579,243	\$2,563,013	\$2,059,250
Gas Tax Bond Debt Service Coverage (x)	61.5	59.3	53.0	56.8	67.9	77.2	22.6	23.1	23.8	25.0	31.8

Notes:

- (1) Includes Motor Fuel Taxes, Weight Mile Taxes, Vehicle Registration Fees, and Other Miscellaneous Revenues imposed and collected by the State.
- (2) Preliminary, subject to change.

Source: City of Portland, PDOT, State of Oregon Department of Transportation.

CITY ECONOMIC CHARACTERISTICS

The City, with an estimated population of 583,775 as of July 1, 2010, comprises an area of approximately 135 square miles in northwestern Oregon. Located astride the Willamette River at its confluence with the Columbia River, the City is the center of commerce, industry, transportation, finance and services for a metropolitan area with an estimated population of approximately 2.2 million people as of July 1, 2010. The City is the county seat of Multnomah County and is the largest city in Oregon and the second largest city in the Pacific Northwest.

PORTLAND-VANCOUVER-BEAVERTON METROPOLITAN STATISTICAL AREA

The Portland-Vancouver-Beaverton Metropolitan Statistical Area (the “MSA”) consists of Multnomah, Clackamas, Washington, Yamhill, and Columbia counties in Oregon, and Clark and Skamania counties in Washington. Metropolitan statistical areas are based on commuting patterns within a metropolitan area, and are used primarily for labor, employment and unemployment statistics.

Multnomah County encompasses the cities of Portland, Gresham, Troutdale, Fairview and Wood Village. Washington County contains Beaverton, Tigard, Tualatin and Hillsboro. Clackamas County includes Milwaukie, Oregon City, Lake Oswego, West Linn and Happy Valley. The cities of St. Helens and Scappoose are located in Columbia County. Yamhill County includes McMinnville and Newberg. Clark County contains Vancouver and Camas. Skamania County includes Stevenson, Carson and Skamania.

POPULATION

The population for the City has increased steadily over the past decade, as shown in the table below.

Table 11
CITY OF PORTLAND, OREGON
Population Estimate for the Last Ten Years

As of July 1	State of Oregon	City of Portland	MSA ⁽¹⁾	Multnomah County	Washington County	Clackamas County
2001	3,471,700	536,240	1,960,500	666,350	455,800	345,150
2002	3,504,700	538,180	1,989,550	670,250	463,050	350,850
2003	3,541,500	545,140	2,019,250	677,850	472,600	353,450
2004	3,582,600	550,560	2,050,650	685,950	480,200	356,250
2005	3,631,440	556,370	2,082,240	692,825	489,785	361,300
2006	3,690,505	562,690	2,121,910	701,545	500,585	367,040
2007	3,745,455	568,380	2,159,720	710,025	511,075	372,270
2008	3,791,075	575,930	2,191,784	717,880	519,925	376,660
2009	3,823,465	582,130	2,216,785	724,680	527,140	379,845
2010	3,837,300	583,775	2,229,899	736,785	531,070	376,780
2001-2010 Compounded Annual Rate of Change	1.12%	0.95%	1.44%	1.12%	1.71%	0.98%
2006-2010 Compounded Annual Rate of Change	0.98%	0.92%	1.25%	1.23%	1.49%	0.66%

Notes: The federal Census figures, as of April 1 of the stated year, are as follows:

	1980	1990	2000	2010
State of Oregon	2,633,156	2,842,321	3,421,399	3,831,074
Multnomah County	562,647	583,887	660,486	735,334
City of Portland	368,139	438,802	529,121	583,776
Washington County	245,860	311,554	445,342	529,710
Clackamas County	241,911	278,850	338,391	375,992

Notes:

- (1) Portland State University Population Research Center defines the Portland-Vancouver-Beaverton Metropolitan Statistical Area as Multnomah, Washington, Clackamas, Columbia and Yamhill counties in Oregon and Clark and Skamania Counties in Washington.

Source: Washington State Office of Financial Management; Portland State University, Center for Population Research. Under Oregon State law, the State Board of Higher Education must estimate annually the population of Oregon cities and counties so that shared revenues may be properly apportioned. The Center for Population Research and Census at Portland State University performs this statutory duty.

INCOME

Per capita personal income in the MSA has been consistently higher than in the State of Oregon, and until 2007, was higher than in the nation.

Table 12 below shows personal income and per capita income for the MSA compared to similar data for the State and nation. The compounded annual rate of change in total personal income for the MSA from 2000 to 2009 was 3.7 percent. The compounded annual rate of change in per capita income for the MSA was 2.0 percent from 2000 to 2009, compared with 2.6 percent for the State, and 3.0 percent for the nation.

Table 12
CITY OF PORTLAND, OREGON
Total Personal Income and Per Capita Income
MSA, Oregon, and the United States

Year	Total Personal Income MSA (millions)	Per Capita Income		
		MSA	Oregon	USA
2000	\$63,463	\$32,779	\$28,718	\$30,318
2001	65,340	33,074	29,250	31,157
2002	66,298	32,973	29,797	31,481
2003	68,222	33,541	30,582	32,295
2004	70,927	34,552	31,650	33,909
2005	74,750	35,868	32,557	35,452
2006	80,794	38,040	34,706	37,725
2007	85,305	39,428	35,950	39,506
2008	88,978	40,376	37,399	40,947
2009	87,894	39,206	35,571	38,846
2010	90,654	Not Available	36,427	39,945
2000-2009 Compounded Annual Rate of Change				
	3.7%	2.0%	2.6%	3.0%

Source: Personal income from U.S. Department of Commerce, Bureau of Economic Analysis, as of August 9, 2011.
Per capita income from U.S. Department of Commerce, Bureau of Economic Analysis as reported by Oregon
Employment Department as of September 27, 2011

LABOR FORCE AND UNEMPLOYMENT

Table 13 below shows the annual average civilian labor force, employment level and unemployment level data that is available for the MSA for the period 2001 through 2010. For August 2011, the seasonally-adjusted unemployment rate for the MSA was 9.1 percent (9.0 percent not seasonally-adjusted) with a resident civilian labor force of 1,200,088. Table 14 below shows the seasonally-unadjusted, average annual unemployment rates for the MSA, the State and the United States for the period 2001 through 2010.

Table 13
CITY OF PORTLAND, OREGON
MSA Labor Force and Unemployment Rates⁽¹⁾

Year	Resident Civilian Labor Force	Unemployment		Total Employment
		Number	Percent of Labor Force	
2001	1,087,254	65,569	6.0%	1,021,685
2002	1,093,526	85,191	7.8	1,008,335
2003	1,090,119	90,082	8.3	1,000,037
2004	1,089,204	76,576	7.0	1,012,628
2005	1,097,592	64,282	5.9	1,033,310
2006	1,121,350	56,388	5.0	1,064,962
2007	1,142,519	55,274	4.8	1,087,245
2008	1,169,791	69,708	6.0	1,100,083
2009	1,185,625	127,688	10.8	1,057,937
2010	1,189,827	126,187	10.6	1,063,640

Notes:

(1) Includes non-agricultural wage and salary, self-employed, unpaid family workers, domestics, agricultural workers and labor disputants. Not seasonally adjusted.

Source: Oregon Employment Department as of April 25, 2011.

Table 14
CITY OF PORTLAND, OREGON
Average Annual Unemployment
MSA, Oregon, and the United States
(Not Seasonally Adjusted)

Year	MSA	State of Oregon	USA
2001	6.0%	6.4%	4.7%
2002	7.8	7.6	5.8
2003	8.3	8.1	6.0
2004	7.0	7.3	5.5
2005	5.9	6.2	5.1
2006	5.0	5.3	4.6
2007	4.8	5.2	4.6
2008	6.0	6.5	5.8
2009	10.8	11.1	9.3
2010	10.6	10.8	9.6

Source: Oregon Employment Department as of April 25, 2011.

EMPLOYMENT BY INDUSTRY

Non-manufacturing employment (including government) accounts for about 89 percent of non-farm employment in the Portland area. The Portland metropolitan area's manufacturing employment, accounting for the remaining 11 percent of area employment, is largely based in the metals and computer and electronic equipment sectors.

Table 15
CITY OF PORTLAND, OREGON
PORTLAND-VANCOUVER-BEAVERTON, OREGON MSA
NON-FARM WAGE AND SALARY EMPLOYMENT ⁽¹⁾(000)

Industry	2006	2007	2008	2009	2010
Total nonfarm employment	1,015,300	1,034,900	1,034,300	973,800	965,500
Total private	876,400	892,700	887,300	825,700	817,700
Manufacturing	126,600	126,100	123,200	109,100	106,700
Durable goods	96,400	95,700	93,500	81,700	79,300
Wood product manufacturing	6,000	5,600	4,800	3,700	3,500
Primary metal manufacturing	6,300	6,600	7,100	5,800	5,600
Fabricated metal manufacturing	12,900	13,300	13,400	11,100	11,100
Machinery manufacturing	8,400	8,600	8,300	7,000	7,000
Computer/electronic manufacturing	37,700	36,900	35,900	33,900	33,200
Transportation equipment manufacturing	9,300	9,000	8,600	7,000	6,300
Nondurable goods	30,200	30,400	29,600	27,400	27,300
Food manufacturing	8,800	9,100	9,200	9,100	9,300
Paper manufacturing	4,900	4,700	4,500	3,900	3,600
Non-Manufacturing	749,800	766,600	764,200	716,900	711,100
Construction and mining	64,900	66,900	62,400	50,600	45,800
Trade, transportation, and utilities	202,600	205,700	203,900	189,700	186,700
Wholesale Trade	57,500	58,100	57,800	54,400	52,500
Retail trade	107,600	109,800	108,500	101,100	101,100
Transportation, warehousing, and utilities	37,500	37,800	37,600	34,200	33,100
Information	24,000	24,800	24,600	22,900	22,300
Financial activities	70,600	70,400	67,800	63,800	61,800
Professional and business services	134,700	136,400	136,500	124,900	126,600
Educational and health services	123,200	127,800	132,600	135,200	139,000
Leisure and hospitality	94,100	98,000	99,300	94,500	93,900
Other services	35,700	36,600	37,100	35,300	35,000
Government	138,900	142,300	147,000	148,100	147,800

Notes:

(1) Totals may not sum due to rounding.

Source: State of Oregon, Employment Department as of May 19, 2011.

Table 16
CITY OF PORTLAND, OREGON
MAJOR EMPLOYERS IN THE MSA

Employer	Product or Service	2010 Estimated Employment
Private Employers		
Intel Corporation	Computer and electronic products	15,228
Providence Health System	Health care & health insurance	13,831
Fred Meyer Stores	Grocery & retail variety chain	9,630
Kaiser Foundation of the Northwest	Healthcare	9,204
Legacy Health System	Health care	8,250
NIKE Inc.	Sports shoes and apparel	6,000
Wells Fargo	Bank	4,861
U.S. Bank	Bank & holding company	3,856
Southwest Washington Medical Center	Health care	3,711
Xerox Corp.	Document systems	2,952
Portland General Electric	Utilities	2,783
Regence BlueCross BlueShield of Oregon	Insurance	2,675
Daimler Trucks North America	Heavy duty trucks	2,438
Greenbrier Cos. Inc.	Transportation equipment	1,150
Public Employers		
Oregon Health and Science University	Health care & education	13,283
Multnomah County	Government	6,310
Portland School District	Education	5,101
City of Portland	Government	5,000
Beaverton School District	Education	5,000
Portland Community College	Education	4,000
Portland State University	Education	3,868
Vancouver School District	Education	3,697
Bonneville Power Administration	Public Power	3,000
Evergreen School District	Education	2,651
TriMet	Mass Transit	2,459

Source: Portland Business Journal, December 24, 2010.

REAL ESTATE

Industrial

A diverse mix of industrial properties are located throughout the Portland metropolitan area for all types of industrial use, including more than 280 industrial and business parks. On the eastside, the Columbia Corridor is the largest industrial area in Oregon, containing approximately 22,600 acres or 28 square miles along an 18-mile stretch of land that runs along the southern shore of the Columbia River. The Columbia Corridor includes the Rivergate Industrial District, marine terminals, and Portland International Airport (“PDX”). The Rivergate Industrial Park is a 2,800-acre area owned by The Port of Portland (the “Port”) in North Portland. In addition to Rivergate’s access to the Columbia River and PDX, the area qualifies local businesses for participation in the Enterprise Zone and related tax incentives.

Just west of the City, the Sunset Corridor has emerged as the center for Oregon’s high technology industry, including Intel’s 15,500-employee campuses. This area parallels a major east/west highway (U.S. Highway 26) in the western metropolitan area. Another large submarket for industrial and flex space is the Interstate 5 (“I-5”) Corridor, which extends from S.W. Portland to the City of Wilsonville along I-5.

Portland’s industrial sector continues to show signs of improvement, although the pace of improvement has moderated according to Grubb & Ellis in their publication *Industrial Trends Report – Second Quarter 2011, Portland, OR*. Grubb & Ellis report that the overall vacancy rate in the second quarter of 2011 was 8.8 percent compared to 8.9 percent in the first quarter of 2011. This vacancy rate was moderately higher than the second quarter 2010 rate of 8.6 percent. Grubb & Ellis note that the second quarter of 2011 saw the return of positive, although modest, demand in the Portland industrial market with slightly more than 315,000 square feet of industrial space absorbed. Only one new building was delivered in the quarter, a 71,000 square-foot manufacturing facility owned by Powin Pacific Properties. A total of 2.4 million square feet of new construction is underway, including a 1.8 million square-foot facility owned by Intel.

Office

The Portland metropolitan area office market is home to diverse architectural styles ranging from Class-A office space to unique historical buildings in downtown Portland.

The office market overall remained stable in the second quarter of 2011, according to the *Office Trends Report – Second Quarter 2011, Portland, OR* prepared by Grubb & Ellis. The second quarter vacancy rate for the Portland region was 14.4 percent, which was identical to the first quarter 2011 vacancy rate and down from the second quarter 2010 vacancy rate of 15.5 percent. The second quarter 2011 vacancy rate in the downtown central business district was 9.5 percent, compared to a second quarter 2010 rate of 10.7 percent and a first quarter 2011 rate of 9.6 percent. The suburban market was weaker, with a second quarter 2011 vacancy rate of 17.4 percent compared to 19.5 percent in the second quarter 2010 and 17.2 percent in the first quarter of 2011. Grubb & Ellis report total office market net absorption of negative 36,352 square feet for the second quarter. Class A office space in the downtown continues to fare better than the rest of the market, with asking rents averaging \$25.47 per square foot compared to \$22.24 per square foot for the Class A space in the Portland region’s suburban market.

Housing

The year-to-date median selling price of a home in the Portland metropolitan area through July 2011 was \$220,000, down 8.3 percent from the July 2010 year-to-date price of \$240,000, according to the Realtors Metropolitan Area Multiple Listing Service (“RMLS”). Through July 2011, homes in the Portland metropolitan area were on the market an average of 149 days during the year. According to RMLS, through July of 2011, the Southeast and West Portland regions were the most active residential real estate areas, with 1,414 and 1,331 closed sales, respectively. Portland metropolitan area closed sales year-to-date were down 4.3 percent from the same period in 2010.

The table below compares the median home sale price for the second quarter of 2010 and 2011 in the Portland region with the nation and western U.S.

Table 17
CITY OF PORTLAND, OREGON
MEDIAN HOME SALE PRICE
(U.S., West, and Portland Metropolitan Area)

Region	2nd Quarter 2010	2nd Quarter 2011	Percent Change
U.S.	\$176,800	\$171,900	-2.8%
West	225,000	218,000	-3.0%
Portland Metro. Area	238,500	220,600	-7.5%

Source: National Association of Realtors and RMLS.

The market for condominiums also has deteriorated as a result of the downturn in the housing market as shown in the following table. Portland's decrease in value is largely due to the increased inventory that has come on the market over the past few years.

Table 18
CITY OF PORTLAND, OREGON
MEDIAN CONDO/COOP SALE PRICE
(U.S., West, and Portland Metropolitan Area)

Region	2nd Quarter 2010	2nd Quarter 2011	Percent Change
U.S.	\$175,300	\$169,200	-3.5%
West	162,900	158,000	-3.0%
Portland Metro. Area	176,500	153,900	-12.8%

Source: National Association of Realtors and RMLS.

Residential building permits are an indicator of growth in a region. The number and value of new single-family and multi-family residential building permits for the City are shown below.

Table 19
CITY OF PORTLAND, OREGON
NEW SINGLE FAMILY AND MULTI-FAMILY
RESIDENTIAL CONSTRUCTION PERMITS

Year	New Single Family		New Multi-Family	
	No. of Permits	Value	No. of Permits	Value
2000	866	\$125,275,273	93	\$62,578,694
2001	1,040	159,218,264	102	46,446,402
2002	1,088	169,816,560	110	92,457,354
2003	1,093	176,408,264	198	195,489,464
2004	956	162,215,542	161	153,283,224
2005	981	172,372,705	196	247,646,057
2006	1,256	232,917,661	164	241,125,419
2007	1,205	236,732,683	179	346,708,925
2008	648	126,171,068	73	410,957,333
2009	427	86,645,801	15	44,978,728
2010	435	95,809,473	30	86,511,573

Source: U.S. Census Bureau as of May 17, 2011.

Urban Renewal

The City seeks to promote neighborhood revitalization through the creation of urban renewal areas. Urban renewal is a state-authorized, redevelopment and finance program designed to help communities improve and redevelop areas that are physically deteriorated, suffering economic stagnation, unsafe or poorly planned. Urban renewal is used as a tool to focus resources in blighted or underused areas to stimulate private investment and improve neighborhood livability.

The City has eleven urban renewal areas, with combined acreage of about 14 percent of the City's area. Five of the 11 urban renewal areas are concentrated in the city's core, including two that are completing their work. Three are largely residential areas in Portland's eastside. The City also has three industrial areas: Central Eastside on the east bank of the Willamette River; Willamette Industrial, located north of the downtown core on the Willamette River; and Airport Way, located in the Columbia corridor, which also has largely completed its urban renewal work. The Portland Development Commission administers the urban renewal areas.

TRANSPORTATION AND DISTRIBUTION

Location and topography have established the City as a leading warehousing and distribution center for the Pacific Northwest. The City's location at the head of deep-water navigation on the Columbia River system gives it geographic and, therefore, economic advantages for the shipment of freight.

The Port is a port district encompassing Multnomah, Clackamas and Washington counties. The Port owns and maintains four marine terminals, four airports, and seven business parks. In tonnage of total waterborne commerce, the Port is currently ranked as the third largest volume port on the West Coast. The Port is the largest wheat export port in the United States and is the largest volume auto handling port and mineral bulks port on the West Coast. Leading exports include wheat, soda ash, potash and hay. Leading imports include automobiles, petroleum products, steel and limestone.

In 2010, 575 ocean-going vessels made calls at Port facilities. Total maritime tonnage in 2010 increased by 27.6 percent to 13.1 million short tons in 2010 compared to 10.3 million in 2009. Through July 2011, total maritime tonnage was up 10.1 percent over the same period in 2010.

The Columbia River ship channel is currently maintained at a depth of 40 feet from the Portland Harbor to the Pacific Ocean 110 miles downstream. In 2005, the Columbia River Channel Deepening Project was initiated to deepen the shipping channel of the Columbia River from 40 feet to 43 feet to accommodate larger, more efficient vessels. This project was completed in October 2010.

The Columbia River provides the only water route through the Cascade Mountains to the agricultural regions of eastern Oregon, Washington, and northern Idaho. This region has been opened to slack-water barge navigation by means of locks installed in a series of federal hydroelectric projects on the lower Columbia River and its largest tributary, the Snake River. There are two primary barge lines providing service between the upriver ports and Portland. In addition, the Columbia River Gorge forms a corridor through the Cascades which, because it is level, provides an economical rail and highway route between the City and the region east of the Cascade mountains.

Portland is also in a strategic position to serve the Willamette Valley, which extends approximately 145 miles south from the City and is one of the nation's most diversified and productive agricultural regions and food processing centers.

PDX handles approximately 13 million passengers annually, with more than 500 flights daily. This includes nonstop service on international flights to Amsterdam, Netherlands; Vancouver, British Columbia; Toronto, Ontario; and Tokyo, Japan. In 2010, 200,706 short tons of cargo and 8,423 short tons of mail were handled by PDX. Portland is also served by three publicly operated general aviation airports located in the suburban areas.

Two major railroads—the Burlington Northern Santa Fe and Union Pacific—plus the Amtrak passenger train system serve the City.

Transportation is facilitated by a highway system that includes I-5, the primary north-south highway artery of the West Coast, and by-pass routes Interstate 205 and Interstate 405 within and around the City. The primary east-west highway system is Interstate 84, which begins at Portland and heads east along the Columbia River to Idaho and beyond. The Portland metropolitan area is also served by U.S. highways 26 and 30, Oregon highways 43, 213, 217, 224, 99E, 99W, the Tualatin Valley Highway, the historic Columbia River Highway, nine bridges across the Willamette River and two bridges across the Columbia River.

The Tri-County Metropolitan Transportation District of Oregon (“TriMet”), the regional public transit agency, provides rail and bus service throughout the Portland metropolitan area. During TriMet’s fiscal year, from July 2009 through June 2010, passengers boarded a TriMet bus or train approximately 99.3 million times.

TriMet’s light rail system (“MAX”) connects the cities of Portland, Gresham, Beaverton and Hillsboro, and PDX. In 2007, TriMet started construction of an 8.3 mile, two-phased extension of the light rail line. The estimated cost of the project is \$494 million. Phase 1 provides service along Interstate-205 between Clackamas Town Center and the existing Gateway station where it uses the existing MAX Blue Line tracks to downtown Portland, then run on new tracks along the Portland Mall to Portland State University. Phase 2 would extend light rail from downtown Portland to Milwaukie. TriMet completed construction of Phase 1 with the opening of the MAX green line in September 2009. In 2008, TriMet began service on the Washington County Commuter Rail, which runs from Beaverton to Wilsonville.

The Portland Streetcar connects South Waterfront area along the Willamette River with the Pearl District and Northwest Portland. The Portland Streetcar is owned and operated by the City, and has entered into contracts with TriMet for train operators and mechanics. An extension of the streetcar line to Portland’s east side is currently underway. The extension will cross the Willamette River using the Broadway Bridge, travel through the Lloyd District, continue south along Martin Luther King, Jr. Boulevard, and make a loop at either SE Mill or Stephens Street before returning back along Grand Avenue. The project is expected to be completed in 2011.

The Portland Aerial Tram (“Tram”) opened in January 2007. The Tram, which is owned by the City and operated by Oregon Health and Science University (“OHSU”), links OHSU’s North Macadam offices and its Marquam Hill campus.

TOURISM, RECREATION AND CULTURAL ATTRACTIONS

Portland is the State’s largest city and the center of business and transportation routes in the State. Therefore, the City accommodates a large share of the State’s tourist and business visitors. The City is a destination for many tourists who are drawn to its diverse cultural and recreational facilities. These include the Oregon Symphony and associated musical organizations, Portland Center for the Performing Arts, Oregon Ballet, Portland Opera, Portland Center Stage, Portland Art Museum, Oregon Historical Society Museum, Children’s Museum, Oregon Museum of Science and Industry, Forest Discovery Center (formerly World Forestry Center), Japanese Gardens, International Rose Test Gardens, the Lan Su Chinese Garden and the Oregon Zoo. The metropolitan area includes more than 40 other local theater and performance art companies and ten additional gardens of special interest. Portland is the home of Forest Park, the largest urban park in the United States with a total of more than 5,000 acres. A prime tourist attraction for the City, known as the City of Roses, is the three-week long Portland Rose Festival held each June since 1907. More than two million participants enjoy the festival annually.

A 90-minute drive from Portland in almost any direction provides access to numerous recreational, educational, and leisure activities. The Pacific Ocean and the Oregon Coast to the west, the Columbia Gorge and Mt. Hood, Mt. St. Helens and Mt. Adams in the Cascade Range to the east, and the Willamette Valley to the south offer opportunities for hiking, camping, swimming, fishing, sailboarding, skiing, wildlife watching, and numerous other outdoor activities.

The National Basketball Association (“NBA”) Portland Trail Blazers play at the Rose Garden Arena complex (which includes the Memorial Coliseum), as do the major-junior Western Hockey League (“WHL”) Portland Winterhawks. JELD-WEN Field (formerly PGE Park) was recently renovated for major league soccer and is the home of the Major League Soccer (“MLS”) Portland Timbers.

HIGHER EDUCATION

Within the Portland metropolitan area are several post-secondary educational systems. Portland State University (“PSU”), the largest university in the Oregon University System, is located on a campus encompassing an area of over 28 blocks adjacent to the downtown business and commercial district of Portland. PSU offers approximately 213 undergraduate, masters, and doctoral

programs. Enrollment for 2010-11 was approximately 28,522 students. PSU is noted for the development of programs specifically designed to meet the needs of the urban center.

Oregon State University and the University of Oregon, also within the Oregon University System, have field offices and extension activities in the Portland metropolitan area.

OHSU's Marquam Hill campus sits on more than 100 acres overlooking downtown Portland. OHSU includes the schools of dentistry, medicine, nursing, and science and engineering. OHSU also includes Doernbecher Children's Hospital and OHSU Hospital, as well as primary care and specialty clinics, research institutes and centers, interdisciplinary centers, and community service programs. Enrollment for 2010-11 was approximately 2,720 medical, dental, nursing, science, and allied health students.

Independent colleges in the Portland metropolitan area include Lewis & Clark College, University of Portland, Reed College, Linfield College-Portland Campus, ITT Technical Institute, and Marylhurst University; and several smaller church-affiliated schools, including Warner Pacific College, Concordia University, George Fox University, and Cascade College. Portland Art Institute, Western Culinary Institute, University of Western States, Oregon College of Oriental Medicine, National College of Naturopathic Medicine, and East-West College of the Healing Arts are also located in the City.

Several community colleges serve the Portland metropolitan area including Portland Community College, Mt. Hood Community College, and Clackamas Community College.

UTILITIES

Electric Power and Natural Gas

Electricity is provided by Portland General Electric Company ("PGE") and Pacific Power. Low-cost hydroelectric power provides a substantial portion of the area's energy requirements. NW Natural distributes natural gas.

Communications

Telephone services are provided by Qwest Communications and, in some areas, Verizon. The Portland metropolitan area is also served by three cable service providers, primarily Comcast within the Portland city limits, and Verizon and Cascade Access in other parts of the region.

Water, Sewer, and Wastewater

The City operates the water supply system that delivers drinking water to residents of Portland. About 900,000 people, almost one-quarter of the state's population, are served by the City's water system on a wholesale and retail basis within its 225 square mile service area. The primary water source is the Bull Run Watershed, located in the foothills of the Cascades west of Mt. Hood. The City also uses groundwater as a supplemental water supply.

The City also owns, operates, and maintains sanitary and storm water collection, transportation, and treatment systems within its boundaries. The City provides sanitary sewer service to approximately 560,000 people, numerous commercial and industrial facilities, and several wholesale contract customers located adjacent to the City.

AGRICULTURE

Because the City is the primary urban center in the State, agriculture is not a major industry in the greater metropolitan area. The metropolitan area, however, accounted for approximately 19.0 percent of the State's Gross Farm and Ranch Sales based on 2010 estimates from the Oregon State University Extension Economic Information Office. The 2010 Gross Farm and Ranch Sales in Clackamas County was \$294,163,000; Washington County was \$227,401,000; Yamhill County was \$216,147,000; Multnomah County was \$57,068,000; and Columbia County was \$19,674,000 as estimated by the Oregon State University Extension Service.

THE INITIATIVE PROCESS

The Oregon Constitution, Article IV, Section 1, reserves to the people of the State the initiative power to amend the State constitution or to enact State legislation by placing measures on the statewide general election ballot for consideration by the voters. Oregon law therefore permits any registered Oregon voter to file a proposed initiative with the Oregon Secretary of State's office without payment of fees or other burdensome requirements. Consequently, a large number of initiative measures are submitted to the Oregon Secretary of State's office, and a much smaller number of petitions obtain sufficient signatures to be placed on the ballot.

Because many proposed initiative measures are submitted that do not qualify for the ballot, the City does not formally or systematically monitor the impact of those measures or estimate their financial effect prior to the time the measures qualify for the ballot. Consequently, the City does not ordinarily disclose information about proposed initiative measures that have not qualified for the ballot.

PROCESS FOR QUALIFYING STATE-WIDE INITIATIVES TO BE PLACED ON THE BALLOT

To place a proposed state-wide initiative on a general election ballot, the proponents must submit to the Secretary of State initiative petitions signed by the number of qualified voters equal to a specified percentage of the total number of votes cast for all candidates for governor at the gubernatorial election at which a governor was elected for a term of four years next preceding the filing of the petition with the Secretary of State. For the 2010 general election, the requirement was eight percent (110,358 signatures) for a constitutional amendment measure and six percent (82,769 signatures) for a statutory initiative. The last day for submitting signed initiative petitions for the 2010 general election was July 2, 2010. Any elector may sign an initiative petition for any measure on which the elector is entitled to vote. State-wide initiatives may only be filed for general elections in even-numbered years. The next general election for which state-wide initiative petitions may be filed will be in November, 2012.

A state-wide initiative petition must be submitted to the Secretary of State not less than four months prior to the general election at which the proposed measure is to be voted upon. As a practical matter, proponents of an initiative have approximately two years in which to gather the necessary number of signatures. State law permits persons circulating initiative petitions to pay money to persons obtaining signatures for the petition.

Once an initiative measure has gathered a sufficient number of signatures and qualified for placement on the ballot, the State is required to prepare a formal estimate of the measure's financial impact. Typically, this estimate is limited to an evaluation of the direct dollar impact.

Historically, a larger number of initiative measures have qualified for the ballot than have been approved by the electors. According to the Elections Division of the Secretary of State, the total number of initiative petitions that qualified for the ballot and the numbers that passed in recent general elections are as follows:

Table 20
CITY OF PORTLAND, OREGON
Statewide Initiative Petitions that Qualified and Passed
2002-2010

<u>Year of General Election</u>	<u>Number of Initiatives that Qualified</u>	<u>Number of Initiatives that Passed</u>
2002	7	3
2004	6	2
2006	10	3
2008	8	0
2010	4	2

Source: Elections Division, Oregon Secretary of State.

FUTURE STATE-WIDE INITIATIVE MEASURES

The recent experience in Oregon is that many more initiative measures are proposed in some form than receive the number of signatures required to be placed on a ballot. Consequently, the City cannot accurately predict whether specific future initiative measures that may have an adverse effect on the City's financial operations will be proposed, obtain sufficient signatures, and be placed on a ballot for voter approval, or if placed on a ballot, will be approved by voters.

The Oregon Secretary of State's office maintains a list of all initiative petitions that have been submitted to that office. The office can be reached by telephone at (503) 986-1518.

LOCAL INITIATIVES

Article IV, Section 1 and Article XI, Section 2 of the Oregon Constitution and state statutes grant the voters in the City the initiative power to amend the City Charter or City ordinances, and to refer City Ordinances. A petition to refer a City measure must be signed by six percent of the registered voters in the City. A petition to initiate a City measure must be signed by nine percent of the registered voters in the City. No initiative or referendum petitions are currently being circulated that relate to the financial powers of the City. The City Council may also refer measures directly to voters. Under current law, local initiative and referendum elections may be held only in March, May, September and November, unless the City Council calls for a special election due to public interest in prompt resolution.

TAX MATTERS

In the opinion of K&L Gates LLP, Bond Counsel, under existing law, interest on the 2011 Series A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2011 Series A Bonds is included in adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the 2011 Series A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the 2011 Series A Bonds and the facilities financed or refinanced with proceeds of the 2011 Series A Bonds and certain other matters. The City has covenanted to comply with all applicable requirements.

Bond Counsel's opinion is subject to the condition that the City comply with the above-referenced covenants and, in addition, will rely on representations by the City and its advisors with respect to matters solely within the knowledge of the City and its advisors, respectively, which Bond Counsel has not independently verified. If the City fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the 2011 Series A Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2011 Series A Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated in this Tax Matters section, Bond Counsel expresses no opinion regarding any other federal income tax consequences of acquiring, carrying, owning or disposing of the 2011 Series A Bonds. Owners of the 2011 Series A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2011 Series A Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Prospective purchasers of the 2011 Series A Bonds should be aware that ownership of the 2011 Series A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the 2011 Series A Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the 2011 Series A Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Bond Counsel's opinion only addresses laws in effect on the date of delivery of the 2011 Series A Bonds. Subsequent changes in federal law may reduce or eliminate favorable tax treatment of the 2011 Series A Bonds.

Payments of interest on tax-exempt obligations, such as the 2011 Series A Bonds, are in many cases required to be reported to the Internal Revenue Service (the "IRS"). Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel's opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel's legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and the City's compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the 2011 Series A Bonds. Owners of the 2011 Series A Bonds are advised that, if the IRS does audit the 2011 Series A Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the City as the taxpayer, and the owners of the 2011 Series A Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the 2011 Series A Bonds until the audit is concluded, regardless of the ultimate outcome.

Premium

An amount equal to the excess of the purchase price of a 2011 Series A Bond over its stated redemption price at maturity constitutes premium on that 2011 Series A Bond. A purchaser of a 2011 Series A Bond must amortize any premium over that 2011 Series A Bond's term using constant yield principles, based on the 2011 Series A Bond's yield to maturity. As premium is amortized, the purchaser's basis in the 2011 Series A Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the 2011 Series A Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of 2011 Series A Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and the state and local tax consequences of owning such 2011 Series A Bonds.

Original Issue Discount

The initial public offering price of certain 2011 Series A Bonds (the "Original Issue Discount Bonds"), may be less than the stated redemption price at maturity. In such case, the difference between (i) the stated amount payable at the maturity of an Original Issue Discount Bond and (ii) the initial public offering price of that Original Issue Discount Bond constitutes original issue discount with respect to that Original Issue Discount Bond in the hands of the owner who purchased that Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds. The initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to an Original Issue Discount Bond equal to that portion of the amount of the original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by the initial owner.

In the event of the redemption, sale or other taxable disposition of an Original Issue Discount Bond prior to its stated maturity, however, the amount realized by the initial owner in excess of the basis of the Original Issue Discount Bond in the hands of its initial owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by the initial owner) is includable in gross income. Purchasers of Original Issue Discount Bonds should consult their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes and the state and local tax consequences of owning Original Issue Discount Bonds.

Oregon Personal Income Tax Exemption

In the opinion of Bond Counsel, interest on the 2011 Series A Bonds is exempt from Oregon personal income tax under existing law.

RECENT AND POSSIBLE FUTURE LEGISLATIVE PROPOSALS

Tax legislation (either proposed or future) may adversely affect the tax-exempt status of the interest on the 2011 Series A Bonds or otherwise prevent beneficial owners of the 2011 Series A Bonds from realizing the full current benefit of the tax-exempt status of such interest and could affect the market price or marketability of the 2011 Series A Bonds. For example, on September 12, 2011, President Obama submitted the "American Jobs Act of 2011" (the "2011 Jobs Act") to Congress. The 2011 Jobs Act included a provision that, if enacted as proposed, would have subjected a portion of the interest on tax-exempt bonds received by

certain high-income holders to federal income tax. This provision would have applied to existing tax-exempt bonds as well as tax-exempt bonds issued in the future. On October 11, 2011, a procedural vote in the Senate to end debate and thus allow a vote on the 2011 Jobs Act did not pass; however, this or other legislative proposals maybe considered or introduced in the future that could affect the marketability of tax-exempt bonds or reduce the benefits of owning tax-exempt bonds. Neither the City nor Bond Counsel can predict whether the 2011 Jobs Act, modifications of it, or similar legislation will be approved by Congress. Purchasers of the 2011 Series A Bonds should consult their own tax advisors regarding the impact of any potential change in federal law on the treatment of interest on the 2011 Series A Bonds.

RATING

The 2011 Series A Bonds have been rated “Aa2” by Moody’s Investors Service. Such rating reflects only the views of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody’s Investors Service, Inc., 250 Greenwich, New York, New York, 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency concerned, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such ratings may have an adverse effect on the market price of the 2011 Series A Bonds.

FORWARD LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are “forward looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement and its appendices, the words “estimate,” “forecast,” “intend,” “expect,” “projected,” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the 2011 Series A Bonds by the City are subject to the approving opinion of K&L Gates LLP, Portland, Oregon, Bond Counsel. Bond Counsel has reviewed this Official Statement only to confirm that the portions of it describing the 2011 Series A Bonds, the Ordinance, the Bond Declaration, and the authority to issue the 2011 Series A Bonds conform to the 2011 Series A Bonds and the applicable laws under which they are issued. The statements made in this Official Statement under the captions “THE 2011 SERIES A BONDS” and “TAX MATTERS” have been reviewed and approved by Bond Counsel. All other representations of law and factual statements contained in this Official Statement, including but not limited to all financial and statistical information and representations contained herein, have not been reviewed or approved by Bond Counsel.

LITIGATION

There is no litigation pending or threatened against the City which impairs the City’s ability to make principal and interest payments on the 2011 Series A Bonds when due. There is no litigation pending or threatened against the City which would materially and adversely affect the financial condition of the City.

CERTIFICATE WITH RESPECT TO OFFICIAL STATEMENT

At the time of the original delivery of the 2011 Series A Bonds, the City will deliver a certificate to the Underwriters to the effect that the City has examined this Official Statement and the financial and other data concerning the City contained herein and that, to the best of the City’s knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the 2011 Series A Bonds, does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, in light of the circumstances under which the statements were made, and (ii) between the date of this Official Statement and the date of delivery of the 2011 Series A Bonds, there has been no material change in the affairs (financial or otherwise), financial condition or results of operations of the City except as set forth in this Official Statement.

MISCELLANEOUS

All quotations from and summaries and explanations of provisions of law herein do not purport to be complete, and reference should be made to said laws for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the City and the Underwriters or owners of any of the 2011 Series A Bonds. Any statements made in this Official Statement involving matters of opinion are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or its agencies, since the date hereof.

CONTINUING DISCLOSURE

Pursuant to SEC Rule 15c2-12, as amended (17 CFR Part 240, § 240.15c2-12) (the "Rule"), the City, as the "obligated person" within the meaning of the Rule, will execute and deliver a Continuing Disclosure Certificate substantially in the form attached hereto as Appendix E for the benefit of the 2011 Series A Bond holders.

The City has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

CONCLUDING STATEMENT

This Official Statement has been deemed final by the City for purposes of Rule 15c2-12 of the Securities and Exchange Commission. The undersigned certifies that to the best of his knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the 2011 Series A Bonds, does not contain any untrue statement of a material fact or omit any statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (ii) between the date of this Official Statement and the date of delivery of the 2011 Series A Bonds there has been no material change in the affairs (financial or other), financial condition or results of operations of the City except as set forth in or contemplated by this Official Statement.

The execution and delivery of this Official Statement has been duly approved by the City.

CITY OF PORTLAND, OREGON

By: _____
Debt Manager
Office of Management and Finance



APPENDIX A
MASTER GAS TAX REVENUE BOND ORDINANCE



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Ordinance No. 170507 (as amended)

* Authorize Gas Tax Revenue Bonds (Ordinance)

The City of Portland ordains:

Section 1. The Council finds:

1. The City has adopted ordinances authorizing issuance of gas tax revenue bonds under the Uniform Revenue Bond Act to: retire a portion of a bank line of credit used to finance the costs of construction of public streets related to the Oregon Arena Project; to finance construction of certain street improvements within the City; to fund required reserves; and to pay related costs. Notices of the authorizations were published as required by Oregon's Uniform Revenue Bond Act (ORS 288.805 to 288.945), more than sixty days have passed since each publication, and no citizens have filed petitions requesting that issuance of the bonds be referred to the voters.

2. The City adopts this ordinance to authorize its Arena Gas Tax Revenue Bonds, Series 1996 and its Gas Tax Revenue Bonds, Series 1996 and to establish the terms under which it will issue bonds payable from gas tax revenues.

NOW, THEREFORE, the Council directs:

A. Definitions.

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

"Account" means a Fund, account, cost center or other accounting entity for which the City can accurately record financial transactions.

"Additional Gas Tax Bonds" means obligations which are payable from the Gas Tax Revenues on a parity with the First Series of Gas Tax Bonds, and are issued pursuant to Section 1.G.2. of this Master Gas Tax Revenue Bond Ordinance.

"Additional Third Tier Bonds" means obligations which are payable from the Gas Tax Revenues on a parity with the First Series of Third Tier Bonds, and are issued pursuant to Section 1.G.1. of this Master Gas Tax Revenue Bond Ordinance.

"Annual Debt Service" means the amount required to be paid in a Fiscal Year of principal and interest on any obligations, calculated as follows:

- a. interest which is to be paid from proceeds of the obligations shall be subtracted;
- b. obligations which are subject to scheduled, noncontingent redemption or tender shall be deemed to mature on the dates and in the amounts which are subject to mandatory redemption or tender, and only the amount scheduled to be outstanding on the final maturity date shall be treated as maturing on that date;
- c. obligations which are subject to contingent redemption or tender shall be treated as maturing on their stated maturity dates; and
- d. Variable Rate Obligations bear interest from the date of computation until maturity at their Estimated Average Interest Rate.

"Arena Net Revenues" means the "Net Revenues" as defined in the Master Arena Bond Ordinance.

"Arena Operating Fund" has the meaning defined for that term in the Master Arena Bond Ordinance.

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

"Bonds" means the Third Tier Bonds and the Gas Tax Bonds.

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

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

“Credit Facility” means a letter of credit, a municipal bond insurance policy, a surety bond, standby bond purchase agreement or other credit enhancement device which is obtained by the City to secure Bonds, and which is issued or provided by a Credit Provider whose long-term debt obligations or claims-paying ability (as appropriate) are rated one of the two highest rating categories by a Rating Agency which rated the Bonds secured by the Credit Facility.

“Credit Provider” means a person or entity providing a Credit Facility.

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

“DTC” means the Depository Trust Company of New York, the initial securities depository for the Bonds.

“Estimated Average Interest Rate” is the rate assigned to Variable Rate Obligations to determine compliance with the tests for Additional Gas Tax Bonds and the calculation of the Reserve Requirement, and means:

- a. if the Variable Rate Obligations have been Outstanding for a period of 12 months or more, the weighted average rate of interest applicable to such Bonds during the immediately preceding 12 month period; or
- b. if the Variable Rate Obligations have not been Outstanding for a period of 12 months or more, the higher of:
 - i. the most current actual interest rate on the Variable Rate Obligations; or
 - ii. 100% of the most recently published interest rate for municipal bonds with similar terms and credit ratings published in *The Bond Buyer*; and
- c. for Bonds which have been authorized but not yet been issued, 100% of the most recently published interest rate for municipal bonds with similar terms and credit ratings published in *The Bond Buyer*.

“Financial Guaranty Agreement” means an agreement between the City and Credit Provider governing the reimbursement of monies advanced to the City under a Reserve Credit Facility, issued to the City by a Credit Provider for the First Series of Third Tier Bonds and the First Series of Gas Tax Bonds.

“First Series of Gas Tax Bonds” means the Gas Tax Bonds which are authorized by Section 1.R. of this Ordinance.

“First Series of Third Tier Bonds” means the Third Tier Bonds which are authorized by Section 1.Q. of this Ordinance.

“Fiscal Period” means the period of four consecutive weeks used by the City to account for its financial operations. Each Fiscal Year is divided into thirteen Fiscal Periods.

“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 State Law.

“Fund” means a fund, account, cost center or other accounting entity for which the City can accurately record financial transactions.

“Gas Tax Bonds” means the First Series of Gas Tax Bonds, the Second Series of Gas Tax Bonds, the Third Series of Gas Tax Bonds and any Additional Gas Tax Bonds.

“Gas Tax Event of Default” means a Gas Tax Event of Default listed in Section 1.J.1. of this Ordinance.

“Gas Tax Reserve Credit Facility” means a Credit Facility issued for the purpose of funding, in lieu of cash, all or any portion of the Gas Tax Reserve Requirement, under which the Credit Provider agrees to unconditionally provide the City with funds for the payment of Gas Tax Bonds.

“Gas Tax Reserve Fund” means the Fund of that name maintained by the City to fund a reserve for payment of Gas Tax Bonds pursuant to Section 1.E.2.

“Gas Tax Reserve Requirement” means the lesser of Maximum Annual Debt Service on all Outstanding Gas Tax Bonds or the amount described in the next sentence. If, at the time of issuance of a Series of Gas Tax Bonds, the amounts required to be added to the Gas Tax Reserve Fund to make the balance in the Gas Tax Reserve Fund equal to the Maximum Annual Debt Service on all Outstanding Gas Tax Bonds exceeds the Tax Maximum calculated with respect to such Series, then the Gas Tax Reserve Requirement means the Gas Tax Reserve Requirement in effect on the date of issuance of the Series of Gas Tax Bonds (calculated as if the Series of Gas Tax Bonds were not Outstanding), plus the Tax Maximum for the Series of Gas Tax Bonds.

“Gas Tax Revenues” means:

- (i) All amounts the City receives under the Intergovernmental Agreement from taxes on the sale of fuel for motor vehicles, weightmile taxes and vehicle registration fees, including taxes and fees imposed by the State of Oregon and by Multnomah County; and
- (ii) to the extent distributed to the City outside the Intergovernmental Agreement, any taxes on the sale of fuel for motor vehicles, weight-mile taxes and vehicle registration fees which are allocated to the City pursuant to ORS 366.524 and ORS 366.785 to 366.820, or any replacement statute;
- (iii) any taxes which the State or the County may enact to replace the existing taxes on the sale of motor vehicle fuel, weight-mile taxes or vehicle registration fees, to the extent those taxes are allocated to the City and are available to be used to pay the Bonds; and,
- (iv) any taxes on the sale of fuel for motor vehicles, weight-mile taxes and vehicle registration fees which the City may impose in the future.

Gas Tax Revenues does not include any amounts which are retained by the State of Oregon and are expended by the State or its agents for projects in the Portland metropolitan area.

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

“Intergovernmental Agreement” means the contract dated July 1, 1984 between the City and Multnomah County, Oregon pursuant to which Gas Tax Revenues collected by the State of Oregon and Gas Tax Revenues collected by Multnomah County are shared between the City and Multnomah County, together with all amendments to that contract.

“Master Arena Bond Ordinance” means City Ordinance No. 170367, as amended, which prescribes the terms under which the City may issue obligations payable from the Arena Net Revenues.

“Master Gas Tax Revenue Bond Ordinance” means this ordinance, as amended and supplemented.

“Maximum Annual Debt Service” means the greatest Annual Debt Service, calculated on all bonds which are Outstanding on the date of calculation.

“Maximum Combined Debt Service” means the amount which is due on all Bonds in the Fiscal Year in which the sum of the debt service on the Third Tier Bonds and the Gas Tax Bonds is greatest, calculated on all Bonds which are Outstanding on the date of calculation. Maximum Combined Debt Service refers to the greatest amount due on all Outstanding Bonds, and not to the sum of Maximum Annual Debt Service on the Third Tier Bonds plus Maximum Annual Debt Service on the Gas Tax Bonds.

“Ordinance” means this Master Gas Tax Revenue Bond Ordinance.

“Outstanding” refers to all bonds except bonds which have been paid, canceled, or defeased pursuant to Section 1.O. of this Ordinance, and bonds which have matured but have not been presented for payment, but for the payment of which adequate money has been transferred to the Paying Agent.

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

“Paying Agent” means the registrar and paying agent for the Bonds, which, at the time of enactment of this Ordinance, is First Trust National Association as the successor to Bank of America Oregon.

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

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

“Second Series of Gas Tax Bonds” means the Gas Tax Revenue Bonds, 1998 Series A, which are authorized by Section 1.S of this Master Gas Tax Revenue Bond Ordinance.

“Series” refers to all Bonds which are authorized by a single ordinance and delivered in exchange for payment on the same date, regardless of variations in maturity, interest rate or other provisions. However, Third Tier Bonds and Gas Tax Bonds shall not be treated as part of the same Series.

“Subordinate Obligations” means bonds or other obligations which are payable from the Gas Tax Revenues, and which have a lien on the Gas Tax Revenues which is subordinate to the lien of the Gas Tax Bonds.

“Supplemental Ordinance” means any ordinance amending or supplementing the Master Gas Tax Revenue Bond Ordinance, which is adopted in accordance with Section 1.H.

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

“Third Series of Gas Tax Bonds” means the Gas Tax Bonds that are authorized by Section 1.T. of this Master Gas Tax Revenue Bond Ordinance.

“Third Tier Bonds” means the First Series of Third Tier Bonds and any Additional Third Tier Bonds.

“Third Tier Event of Default” refers to a Third Tier Event of Default listed in Section 1.I.1. of this Ordinance.

“Third Tier Reserve Credit Facility” means a Credit Facility issued for the purpose of funding, in lieu of cash, all or any portion of the Third Tier Reserve Requirement, under which the Credit Provider agrees to unconditionally provide the City with funds for the payment of Third Tier Bonds.

“Third Tier Reserve Fund” means the Fund of that name maintained by the City to fund a reserve for payment of Third Tier Bonds pursuant to Section 1.E.1.

“Third Tier Reserve Requirement” means the lesser of Maximum Annual Debt Service on all Outstanding Third Tier Bonds or the amount described in the next sentence. If, at the time of issuance of a Series of Third Tier Bonds, the amounts required to be added to the Third Tier Reserve Fund to make the balance in the Third Tier Reserve Fund equal to the Maximum Annual Debt Service on all Outstanding Third Tier Bonds exceeds the Tax Maximum calculated with

respect to such Series, then the Third Tier Reserve Requirement means the Third Tier Reserve Requirement in effect on the date of issuance of the Series of Third Tier Bonds (calculated as if the Series of Third Tier Bonds were not Outstanding), plus the Tax Maximum for the Series of Third Tier Bonds.

“Transportation Operating Fund” means the Fund or Funds used by the City to hold the Gas Tax Revenues prior to expenditure or transfer. The Transportation Operating Fund does not include amounts in the Third Tier Reserve Fund or the Gas Tax Reserve Fund.

“Valuation Date” means July 1 of each year (or the first Business Day thereafter, if July 1 is not a Business Day), and the Business Day following any transfer from the Reserve Fund to the Paying Agent pursuant to Section 1.C.3.

“Variable Rate Obligations” means any Bonds issued with a variable, adjustable, convertible, or other similar interest rate which changes during the term of the Bonds

B. Security for Bonds.

1. The City hereby pledges the Gas Tax Revenues to pay the Third Tier Bonds. The lien of the pledge shall be superior to all other obligations of the City.
2. The City hereby pledges the Gas Tax Revenues to pay the Gas Tax Bonds. The lien of the pledge shall be superior to all other obligations of the City except the obligation of the City to pay the Third Tier Bonds.
3. Pursuant to ORS 288.594, the liens of the pledges granted by this Section 1.B shall be valid, binding and fully perfected from the date of issuance of the affected Bonds. The Gas Tax Revenues shall be immediately subject to the lien without the physical delivery thereof, the filing of any notice or any further act. The lien shall be valid, binding and fully perfected against all persons having claims of any kind against the City or the property assessed whether in tort, contract or otherwise, and irrespective of whether such persons have notice of the lien.

C. Application of Gas Tax Revenues and Arena Net Revenues.

Gas Tax Revenues in the Transportation Operating Fund, the Third Tier Reserve Fund and the Gas Tax Reserve Fund shall be used on or before the following dates for the following purposes in the following order of priority:

1. As provided in the Master Arena Bond Ordinance, on or before each Third Tier Bond Payment Date the City shall transfer to the Paying Agent for the Third Tier Bonds an amount of Arena Net Revenues which is sufficient to permit the Paying Agent to pay all Third Tier Bond principal, interest and premium which is due on that Third Tier Bond Payment Date.
2. If the Arena Net Revenues transferred to the Paying Agent pursuant to the preceding paragraph are not sufficient to permit the Paying Agent to pay all Third Tier Bond principal, interest and premium which is due on that Bond Payment Date, then, on or before the Third Tier Bond Payment Date the City shall transfer Gas Tax Revenues from the Transportation Operating Fund to the Paying Agent for the Third Tier Bonds in an amount which is sufficient to permit the Paying Agent to pay all Third Tier Bond principal, interest and premium which is due on that Third Tier Bond Payment Date.
3. If the amounts transferred to the Paying Agent pursuant to the preceding two paragraphs are not sufficient to permit the Paying Agent to pay all Third Tier Bond principal, interest and premium which is due on that Bond Payment Date, then, on or before the Third Tier Bond Payment Date the City shall transfer amounts from the Third Tier Reserve Fund to the Paying Agent for the Third Tier Bonds in an amount which is sufficient to permit the Paying Agent to pay all Third Tier Bond principal, interest and premium which is due on that Third Tier Bond Payment Date.
4. If all transfers described in the preceding three paragraphs which are then due or overdue have been made, then, on the fifteenth day of each month in which the balance in the Third Tier Reserve Fund is less than the

Third Tier Reserve Requirement (or the next Business Day, if the fifteenth day of the month is not a Business Day), the City shall credit to the Third Tier Reserve Fund the amounts described in Sections 1.E.1.b.

5. If all transfers described in the preceding four paragraphs which are then due or overdue have been made, then, on or before each Gas Tax Bond Payment Date the City shall transfer Gas Tax Revenues from the Transportation Operating Fund to the Paying Agent for the Gas Tax Bonds in an amount which is sufficient to permit the Paying Agent to pay all Gas Tax Bond principal, interest and premium which is due on that Gas Tax Bond Payment Date.
 6. If the amounts transferred to the Paying Agent pursuant to the preceding five paragraph are not sufficient to permit the Paying Agent to pay all Gas Tax Bond principal, interest and premium which is due on that Bond Payment Date, then, on or before the Gas Tax Bond Payment Date the City shall transfer amounts from the Gas Tax Reserve Fund to the Paying Agent for the Gas Tax Bonds in an amount which is sufficient to permit the Paying Agent to pay all Gas Tax Bond principal, interest and premium which is due on that Gas Tax Bond Payment Date.
 7. If all transfers described in the preceding six paragraphs which are then due or overdue have been made, then, on the fifteenth day of each month in which the balance in the Gas Tax Reserve Fund is less than the Gas Tax Reserve Requirement (or the next Business Day, if the fifteenth day of the month is not a Business Day), the City shall credit to the Gas Tax Reserve Fund the amounts which are described in Sections 1.E.2.b.
 8. If all transfers described in the preceding seven paragraphs which are then due or overdue have been made, then the City may use Gas Tax Revenues to pay Subordinate Obligations, or for any other lawful purpose.
- D. The Transportation Operating Fund.

So long as Bonds are Outstanding:

1. The City shall hold and maintain the Transportation Operating Fund. All Gas Tax Revenues received by the City shall be promptly credited to the Transportation Operating Fund, and shall be used only as described in this Master Gas Tax Revenue Bond Ordinance.
 - a. If the amounts available to the Paying Agent to pay Third Tier Bonds are not sufficient to pay all Third Tier Bond debt service when due, the available amounts shall be allocated according to the following order of priority: first, to pay all Third Tier Bond interest which is due or overdue (and pro rata among Owners if the amounts are not sufficient to pay all interest which is then due or overdue); second, to pay all Third Tier Bond principal which is due or overdue (and pro rata among Owners if the amounts are not sufficient to pay all principal which is then due or overdue); and third, to pay all Third Tier Bond premium which is due or overdue (and pro rata among Owners if the amounts are not sufficient to pay all premium which is then due or overdue).
 - b. If Gas Tax Revenues and amounts in the Gas Tax Reserve Fund are not sufficient to pay Gas Tax Bonds when due, the available amounts shall be allocated according to the following order of priority: first, to pay all Gas Tax Bond interest which is due or overdue (and pro rata among Owners if the amounts are not sufficient to pay all interest which is then due or overdue); second, to pay all Gas Tax Bond principal which is due or overdue (and pro rata among Owners if the amounts are not sufficient to pay all principal which is then due or overdue); and third, to pay all Gas Tax Bond premium which is due or overdue (and pro rata among Owners if the amounts are not sufficient to pay all premium which is then due or overdue).
2. If the City issues Subordinate Obligations, the City may create and maintain Funds for the Subordinate Obligations. Gas Tax Revenues shall be credited to Funds created for Subordinate Obligations only if all transfers and credits described in paragraphs one through eight of Section 1.C.1 have been made. Earnings on Funds created for Subordinate Obligations shall be credited as provided in the proceedings authorizing the Subordinate Obligations.

E. The Reserve Funds.

The Gas Tax Reserve Fund and the Third Tier Reserve Fund may be held by the City. Until all Bonds are paid or defeased, amounts in these Funds shall be used only as provided in this Section.

1. Amounts credited to the Third Tier Reserve Fund shall be used only to pay Third Tier Bonds, and only if the Gas Tax Revenues available in the Transportation Operating Fund and the Arena Net Revenues are insufficient.
 - a. If, on any Third Tier Bond Payment Date the Arena Net Revenues, and Gas Tax Revenues available in the Transportation Operating Fund, are not sufficient to pay all Third Tier Bond principal, interest and premium (if any) due on that Payment Date, the City shall transfer an amount equal to the deficiency from the Third Tier Reserve Fund to the Paying Agent for the Third Tier Bonds.
 - b. If the value of the investments in the Third Tier Reserve Fund on a Valuation Date is less than the Third Tier Reserve Requirement, the City shall begin making substantially equal monthly transfers of Arena Net Revenues (and Gas Tax Revenues if Arena Net Revenues are not sufficient to make the entire transfer) to the Third Tier Reserve Fund on the date stated in Section 1.C.4.
 - (1) Transfers to the Third Tier Reserve Fund shall be applied first, to reimburse the providers of any Third Tier Reserve Credit Facilities *pro rata* for amounts advanced under the Third Tier Reserve Credit Facility; second, to replenish the balance in the Third Tier Reserve Fund with cash or Permitted Investments; and third to pay any other amounts owed under a Third Tier Reserve Credit Facility (including any interest, fees and penalties associated with any draw under a Third Tier Reserve Credit Facility).
 - (2) The first transfer shall be made not later than the fifteenth day (or the next Business Day, if the fifteenth day is not a Business Day) of the month following the month in which the Valuation Date occurs, and the transfers shall continue until the balance in the Third Tier Reserve Fund equals the Third Tier Reserve Requirement.
 - (3) If the deficiency is due to a credit from the Third Tier Reserve Fund to the Paying Agent pursuant to Section 1.C.3, each transfer to the Third Tier Reserve Fund under Section 1.C.4 shall be at least equal to one twelfth of the difference between the Third Tier Reserve Requirement and the balance in the Third Tier Reserve Fund on the Valuation Date. The “difference between the Third Tier Reserve Requirement and the balance in the Third Tier Reserve Fund on the Valuation Date” shall be calculated by including all amounts then owed under Third Tier Reserve Credit Facilities, including any interest, fees and penalties associated with any draws under a Third Tier Reserve Credit Facilities.
 - (4) If the deficiency is due to a change in the value of investments, each credit to the Third Tier Reserve Fund under Section 1.C.4 shall be at least equal to one fourth of the difference between the Third Tier Reserve Requirement and the balance in the Third Tier Reserve Fund on the Valuation Date.
 - c. If the value of the investments in the Third Tier Reserve Fund on a Valuation Date exceeds the Third Tier Reserve Requirement, the City may transfer the excess to the Arena Operating Fund.
 - d. Moneys in the Third Tier Reserve Fund may be invested only in Permitted Investments that mature no later than the final maturity date of the Outstanding Third Tier Bonds. Earnings on the Third Tier Reserve Fund shall be credited to the Third Tier Reserve Fund whenever the balance in that Fund is less than the Third Tier Reserve Requirement. Otherwise earnings shall be credited to the Arena Operating Fund.

- e. All amounts on deposit in the Third Tier Reserve Fund may be applied to the final payment (whether at maturity, by prior redemption or by means of a defeasance as provided in Section 1.O. hereof) of Outstanding Third Tier Bonds.
 - f. Any ordinance authorizing the issuance of a Series of Third Tier Bonds shall require deposits into the Third Tier Reserve Fund in amounts sufficient to make the balance in the Third Tier Reserve Fund at least equal to the Third Tier Reserve Requirement.
 - g. If Gas Tax Revenues are deposited in the Third Tier Reserve Fund, the City may, at any time, replace those Gas Tax Revenues with Arena Net Revenues.
2. Amounts credited to the Gas Tax Reserve Fund shall be used only to pay Gas Tax Bonds, and only if the Gas Tax Revenues available in the Transportation Operating Fund are insufficient.
- a. If, on any Gas Tax Bond Payment Date the Gas Tax Revenues available in the Transportation Operating Fund are not sufficient to pay all Gas Tax Bond principal, interest and premium (if any) due on that Payment Date, the City shall transfer an amount equal to the deficiency from the Gas Tax Reserve Fund to the Paying Agent for the Gas Tax Bonds.
 - b. If the value of the investments in the Gas Tax Reserve Fund on a Valuation Date is less than the Gas Tax Reserve Requirement, the City shall begin making substantially equal monthly transfers of Gas Tax Revenues to the Gas Tax Reserve Fund on the dates specified in Section 1.C.7.
 - (1) Transfers to the Gas Tax Reserve Fund shall be applied first, to reimburse the providers of any Gas Tax Reserve Credit Facilities *pro rata* for amounts advanced under the Gas Tax Reserve Credit Facility; second, to replenish the balance in the Gas Tax Reserve Fund with cash or Permitted Investments; and third to pay any other amounts owed under a Gas Tax Reserve Credit Facility (including any interest, fees and penalties associated with any draw under a Gas Tax Reserve Credit Facility).
 - (2) The first transfer shall be made not later than the fifteenth day (or the next Business Day, if the fifteenth day is not a Business Day) of the month following the month in which the Valuation Date occurs, and the transfers shall continue until the balance in the Gas Tax Reserve Fund equals the Gas Tax Reserve Requirement.
 - (3) If the deficiency is due to a credit from the Gas Tax Reserve Fund to the Paying Agent pursuant to Section 1.C.6., each transfer to the Gas Tax Reserve Fund under Section 1.C.7 shall be at least equal to one twelfth of the difference between the Gas Tax Reserve Requirement and the balance in the Gas Tax Reserve Fund on the Valuation Date. The “difference between the Gas Tax Reserve Requirement and the balance in the Gas Tax Reserve Fund on the Valuation Date” shall be calculated by including all amounts then owed under Gas Tax Reserve Credit Facilities, including any interest, fees and penalties associated with any draws under a Gas Tax Reserve Credit Facilities.
 - (4) If the deficiency is due to a change in the value of investments, each credit to the Gas Tax Reserve Fund under Section 1.C.7 shall be at least equal to one fourth of the difference between the Gas Tax Reserve Requirement and the balance in the Gas Tax Reserve Fund on the Valuation Date.
 - c. If the value of the investments in the Gas Tax Reserve Fund on a Valuation Date exceeds the Gas Tax Reserve Requirement, the City may transfer the excess to the Transportation Operating Fund.
 - d. Moneys in the Gas Tax Reserve Fund may be invested only in Permitted Investments that mature no later than the final maturity date of the Outstanding Gas Tax Bonds. Earnings on the Gas Tax Reserve Fund shall be credited to the Gas Tax Reserve Fund whenever the balance in that Fund is less than the Gas Tax Reserve Requirement. Otherwise earnings shall be credited to the Transportation Operating Fund.

- e. All amounts on deposit in the Gas Tax Reserve Fund may be applied to the final payment (whether at maturity, by prior redemption or by means of a defeasance as provided in Section 1.O. hereof) of Outstanding Gas Tax Bonds.
 - f. Any ordinance authorizing the issuance of a Series of Gas Tax Bonds shall require deposits into the Gas Tax Reserve Fund in amounts sufficient to make the balance in the Gas Tax Reserve Fund at least equal to the Gas Tax Reserve Requirement.
3. Permitted Investments in the Third Tier Reserve Fund and the Gas Tax Reserve Fund shall be valued on each Valuation Date in the following manner:
- a. Demand deposits, deposits in the Oregon Short Term Fund and investments which mature in two years or less after the Valuation Date shall be valued at their face amount, plus accrued interest;
 - b. Investments which mature more than two years after the Valuation Date and for which bid and asked prices are published on a regular basis in the Wall Street Journal (or, if not there, then in the New York Times) shall be valued at the average of their most recently published bid and asked prices;
 - c. Investments which mature more than two years after the Valuation Date and for which the bid and asked prices are not published on a regular basis in the Wall Street Journal or the New York Times shall be valued at the average bid price quoted by any two nationally recognized government securities dealers (selected by the City in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;
 - d. Reserve Credit Facilities shall be valued at the amount which is available to be drawn or paid under them;
 - e. Certificates of deposit and bankers acceptances which mature more than two years after the Valuation Date shall be valued at their face amount, plus accrued interest; and
 - f. Deposits in the City's investment portfolio shall be valued at the amount of the deposit, plus accrued and credited interest, so long as the average maturity of investments in the City's investment pool is eighteen months or less.
 - g. Any investment which is not specified above and which matures more than two years after the Valuation Date shall be valued at its fair market value as reasonably estimated by the City.
4. Withdrawals from the Gas Tax Reserve Fund and the Third Tier Reserve Fund shall be made in the following order of priority:
- a. **First**, from any cash on deposit in the Fund;
 - b. **Second**, from the liquidation proceeds of any Permitted Investments on deposit in the Fund; and
 - c. **Third**, from moneys drawn or paid pro-rata under any Reserve Credit Facilities.

F. Covenants.

So long as any Bonds are Outstanding:

- 1. The City shall not agree to any reduction in the Gas Tax Revenues which may reasonably be expected, during any Fiscal Year in which Bonds are Outstanding, to cause the Gas Tax Revenues to fall below 1.75 times Maximum Combined Debt Service.

2. The City shall estimate the Gas Tax Revenues it expects to receive each Fiscal Year. If the City estimates that the Gas Tax Revenues it will receive in a Fiscal Year, plus (for Third Tier Bonds) Arena Net Revenues available in that Fiscal Year to pay the Third Tier Bonds, plus (for all Bonds) other Gas Tax Revenues available in the Transportation Operating Fund, will not be sufficient to pay the Bonds, the City shall, to the extent permitted by law, impose and collect Gas Tax Revenues sufficient to pay the Bonds. The City is not currently authorized to impose gas taxes.
 3. The City shall not issue obligations having a claim on the Gas Tax Revenues which is superior to the claim of the Third Tier Bonds. The City may issue obligations having a claim on the Gas Tax Revenues which is equal to the Third Tier Bonds only as provided in Section 1.G.1 of this Master Gas Tax Revenue Bond Ordinance. The City shall not issue obligations having a claim on the Gas Tax Revenues which is superior to the claim of the Gas Tax Bonds except as provided in Section 1.G.1 of this Master Gas Tax Revenue Bond Ordinance. The City may issue obligations having a claim on the Gas Tax Revenues which is equal to the Gas Tax Bonds only as provided in Section 1.G.2 of this Master Gas Tax Revenue Bond Ordinance. The City reserves the right to issue Subordinate Obligations without limitation.
 4. The City covenants with the Credit Provider that, so long as a Reserve Credit Facility issued by the Credit Provider for the Bonds is in effect:
 - a. The City shall require the Paying Agent to maintain adequate records, verified by the Credit Provider, as to the amount available to be drawn at any given time under the Credit Facility and as to the amounts paid and owing to the Credit Provider under the terms of the Financial Guaranty Agreement.
 - b. The City will not exercise its option to redeem Bonds while amounts are owed to the Credit Provider under the Financial Guaranty Agreement.
 - c. If a draw will be required under a Reserve Credit Facility, the City shall notify the Paying Agent at least four business days in advance, and the City shall instruct the Paying Agent to notify the Credit Provider at least three days prior to the date on which funds are required to be delivered to the Paying Agent.
 5. The City shall make provision for the Credit Provider to be paid all amounts owed to it under the terms of the Financial Guaranty Agreement before the City terminates this Ordinance.
- G. Additional Bonds.
1. The City may issue Additional Third Tier Bonds only to refund Third Tier Bonds and only if:
 - a. the refunded Bonds are defeased on the date of delivery of the refunding Additional Third Tier Bonds; and,
 - b. the proceeds of the Additional Third Tier Bonds are used only to pay principal, interest or premium on Third Tier Bonds, to fund reserves for Third Tier Bonds, or to pay costs of issuing the Additional Third Tier Bonds; and,
 - c. either:
 - (1) the debt service due on the Additional Third Tier Bonds in any Fiscal Year does not exceed by more than \$5,000 the debt service due in that year on the Third Tier Bonds which are refunded; or,
 - (2) on the date of issuance of the Additional Third Tier Bonds the City satisfies the requirements of Section 1.G.2.a(1) and (2), and on the date the City issues the Additional Third Tier Bonds there has been filed with the City Auditor a certificate of the Debt Manager and the Director of the Portland Office of Transportation with a certificate stating that the sum of Gas Tax Revenues for any thirteen consecutive Fiscal Periods of the preceding twenty-six Fiscal Periods, was at least equal to 1.75 times

Maximum Combined Debt Service, with the proposed Additional Third Tier Bonds treated as Outstanding.

All Additional Third Tier Bonds issued in accordance with this Section shall have a lien on and pledge of the Gas Tax Revenues which is equal to the lien and pledge of the Gas Tax Revenues for the First Series of Third Tier Bonds and any Additional Third Tier Bonds.

2. The City may issue Additional Gas Tax Bonds for any lawful purpose, but only if the City satisfies the requirements of this Section 1.G.2:
 - a. The City may issue Additional Gas Tax Bonds if, on the date the Additional Gas Tax Bonds are issued:
 - (1) No Event of Default under this Ordinance has occurred and is continuing; and,
 - (2) There is no deficiency in the Gas Tax Reserve Fund; and,
 - (3) There has been filed with the City Auditor a certificate of the Debt Manager and the Director of the Portland Office of Transportation stating that the sum of the Gas Tax Revenues for any thirteen consecutive Fiscal Periods of the preceding twenty-six Fiscal Periods, was at least equal to 1.75 times Maximum Combined Debt Service, with the proposed Additional Gas Tax Bonds treated as Outstanding.
 - b. The City may issue Additional Gas Tax Bonds to refund Bonds without complying with Section 1.G.2.a. if the refunded Bonds are defeased on the date of delivery of the refunding Additional Gas Tax Bonds and if the annual debt service on the refunding Additional Gas Tax Bonds does not exceed the annual debt service on the refunded Bonds in any Fiscal Year by more than \$5,000.
 - c. All Additional Gas Tax Bonds issued in accordance with this Section shall have a lien on and pledge of the Gas Tax Revenues which is equal to the lien and pledge of the Gas Tax Revenues for the First Series of Gas Tax Bonds and any other Outstanding Gas Tax Bonds.

H. Amendment of Ordinance.

1. The City may enact a Supplemental Ordinance to amend this Ordinance without the consent of the Credit Provider or any Owner for any one or more of the following purposes:
 - a. To cure any ambiguity or formal defect or omission in this Ordinance;
 - b. To add to the covenants and agreements of the City in this Ordinance other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Ordinance as theretofore in effect;
 - c. To authorize issuance of Additional Third Tier Bonds, Additional Gas Tax Bonds or Subordinate Obligations;
 - d. To confirm, as further assurance, any security interest or pledge created under this Ordinance or any Supplemental Ordinance;
 - e. To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners of Bonds.
2. This Ordinance may be amended for any other purpose only upon consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected Bonds then Outstanding. However, no amendment shall be valid which:

- a. Extends the maturity of any Bonds, reduces the rate of interest upon any Bonds, extends the time of payment of interest on any Bonds, reduces the amount of principal payable on any Bonds, or reduces any premium payable on any Bonds, without the consent of the affected Owner; or
- b. Reduces the percent of Owners required to approve Supplemental Ordinances.

I. Third Tier Default and Remedies.

- 1. The occurrence of one or more of the following shall constitute a Third Tier Event of Default under this Ordinance:
 - a. Failure by the City to pay Third Tier Bond principal or interest when due (whether at maturity, or upon redemption after a Third Tier Bond has been properly called for redemption);
 - b. Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for the benefit of Third Tier Bonds, for a period of 30 days after written notice to the City by the Owners of ten percent or more of the principal amount of Third Tier Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 30 day period, it shall not constitute a Third Tier Event of Default so long as corrective action is instituted by the City within the 30 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this paragraph b; or,
 - c. The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the installment payments.
- 2. The Owners of ten percent or more of the principal amount of Third Tier Bonds then Outstanding may waive any Third Tier Event of Default and its consequences, except a Third Tier Event of Default described in Section 1.I.1.a.
- 3. Upon the occurrence and continuance of any Third Tier Event of Default hereunder the Owners of ten percent or more of the principal amount of Third Tier Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of Third Tier Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Ordinance or in aid of the exercise of any power granted in this Ordinance or for the enforcement of any other legal or equitable right vested in the Owners of Third Tier Bonds by this Ordinance or by law. However, the Third Tier Bonds shall not be subject to acceleration.
- 4. No remedy in this Ordinance conferred upon or reserved to Owners of Third Tier Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Ordinance or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners of Third Tier Bonds to exercise any remedy reserved to either or them, it shall not be necessary to give any notice other than such notice as may be required by this Ordinance or by law.

J. Gas Tax Default and Remedies.

- 1. The occurrence of one or more of the following shall constitute a Gas Tax Event of Default under this Ordinance:
 - a. Failure by the City to pay Gas Tax Bond principal or interest when due (whether at maturity, or upon redemption after a Gas Tax Bond has been properly called for redemption);

- b. Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for the benefit of Gas Tax Bonds, for a period of 30 days after written notice to the City by the Owners of ten percent or more of the principal amount of Gas Tax Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be corrected within such 30 day period, it shall not constitute a Gas Tax Event of Default so long as corrective action is instituted by the City within the 30 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this paragraph b; or,
 - c. The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the installment payments.
- 2. The Owners of ten percent or more of the principal amount of Gas Tax Bonds then Outstanding may waive any Gas Tax Event of Default and its consequences, except a Gas Tax Event of Default described in Section 1.J.1.a.
- 3. Upon the occurrence and continuance of any Gas Tax Event of Default hereunder the Owners of ten percent or more of the principal amount of Gas Tax Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of Gas Tax Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Ordinance or in aid of the exercise of any power granted in this Ordinance or for the enforcement of any other legal or equitable right vested in the Owners of Gas Tax Bonds by this Ordinance or by law. However, the Gas Tax Bonds shall not be subject to acceleration.
- 4. No remedy in this Ordinance conferred upon or reserved to Owners of Gas Tax Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Ordinance or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners of Gas Tax Bonds to exercise any remedy reserved to either or them, it shall not be necessary to give any notice other than such notice as may be required by this Ordinance or by law.
- K. Ownership of Bonds.
 - 1. For purposes of determining the percentage of Owners consenting to, waiving or otherwise acting with respect to any matter that may arise under this Master Gas Tax Revenue Bond Ordinance, the initial purchaser of a series of Bonds may be treated as the Owner of that Series at the time that series of Bonds is delivered in exchange for payment.
 - 2. For purposes of determining the percentage of Owners consenting to, waiving or otherwise acting with respect to any matter that may arise under this Master Gas Tax Revenue Bond Ordinance, and except as provided below in Section 1.K.3 or as otherwise expressly provided in a Supplemental Ordinance, the issuer of a Credit Facility (other than a Reserve Credit Facility) shall be deemed to be the Owner of the Bonds secured by such Credit Facility.
 - 3. No issuer of a Credit Facility shall be treated as an Owner of Bonds during any period in which:
 - a. the Credit Agreement or Credit Facility to which such Credit Provider is a party is not in full force and effect;
 - b. the Credit Provider has pending a petition or is otherwise seeking relief under any federal or state bankruptcy or similar law;

- c. the Credit Provider shall, for any reason, have failed or refused to honor a proper demand for payment under such Credit Facility; or
 - d. an order or decree shall have been entered, with the consent or acquiescence of such Credit Provider, appointing a receiver or receivers or the assets of the Credit Provider, or if such order or decree having been entered without the consent or acquiescence of such Credit Provider, shall not have been vacated or discharged or stayed within ninety (90) days after the entry thereof.
4. For purposes of determining the percentage of Owners taking action under this Master Gas Tax Revenue Bond Ordinance, the Owners of Bonds which pay interest only at maturity, and mature more than one year after they are issued shall be treated as Owners of Bonds in an aggregate principal amount equal to the accreted value of such Bonds as of the date the Registrar sends out notice requesting consent, waiver or other action as provided herein.
- L. Book Entry System for Bonds.

Unless otherwise expressly provided in a Supplemental Ordinance, each Series of Bonds shall be initially issued in BEO form and shall be governed by this Section 1.L. While Bonds are in BEO form no physical bonds shall be made available to Owners of Bonds. The Debt Manager has executed and delivered a blanket Letter of Representations to DTC. While the Bonds are in BEO form, registration and transfer of beneficial interests in the Bonds shall be governed by that letter and the Operational Arrangements of DTC, as they may be amended from time to time, as provided in the blanket issuer letter of representations. So long as Bonds are in BEO form:

- 1. DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to Owners of Bonds. Bond payments shall be made, and notices shall be given, to DTC in accordance with the Letter of Representations. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of Bonds called for redemption or of any other action premised on such notice.
- 2. The City may discontinue maintaining any Series of Bonds in the BEO form at any time. The City shall discontinue maintaining a Series of Bonds in BEO form if DTC determines not to continue to act as securities depository for a Series of Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.
- 3. If the City discontinues maintaining a Series of Bonds in book-entry only form, the City shall cause the Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 1.N. below, regarding registration, transfer and exchange of Bonds shall apply.
- 4. While the Bonds are in BEO form, the City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:
 - a. the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the Bonds;
 - b. the delivery to any participant or correspondent or any other person of any notice with respect to the Bonds, including any notice of prepayment;
 - c. the selection by DTC of the beneficial interest in Bonds to be redeemed prior to maturity; or
 - d. the payment to any participant, correspondent, or any other person other than the registered owner of the Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal or interest on the Bonds.

5. The City shall pay or cause to be paid all principal and interest on the Bonds only to or upon the order of the owner, as shown in the registration books maintained by the Paying Agent, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligation with respect to payment thereof to the extent of the sum or sums so paid.
6. Upon delivery by DTC to the City and to the owner of written notice to the effect that DTC has determined to substitute a new nominee in place of the nominee, then the word "nominee" in this order shall refer to such new nominee of DTC, and upon receipt of such notice, the City shall promptly deliver a copy thereof to the Paying Agent. DTC shall tender the Bonds it holds to the Paying Agent for reregistration.
7. The provisions of this Section 1.L. may be modified without the consent of the beneficial owners in order to conform this Section to the standard practices of DTC for Bonds issued in book-entry only form.

M. Redemption of Bonds.

1. The Bonds shall be subject to redemption on the terms established by the ordinance authorizing their issuance. The City reserves the right to purchase Bonds in the open market.
2. If any Bonds are subject to mandatory redemption, the City may credit against the mandatory redemption requirement any Bonds of the same lien status and maturity which the City has previously purchased or which the City has previously redeemed pursuant to any optional redemption provision.
3. So long as Bonds are in book-entry only form, the Paying Agent shall notify DTC of any early redemption not less than 30 days prior to the date fixed for redemption, and shall provide such information in connection therewith as required by a letter of representation submitted to DTC in connection with the issuance of the Bonds.
4. During any period in which the Bonds are not in book-entry only form, unless waived by any Owner of the Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first class mail postage prepaid at least 30 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond register or at such other address as is furnished in writing by such Owner to the Paying Agent. The City shall notify the Paying Agent of any intended redemption not less than 45 days prior to the redemption date. All such official notices of redemption shall be dated and shall state:
 - a. the redemption date,
 - b. the redemption price,
 - c. if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
 - d. that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
 - e. the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal office of the Paying Agent.

N. Authentication, Registration and Transfer.

Unless otherwise provided in a Supplemental Ordinance:

1. No Bond shall be entitled to any right or benefit under this Ordinance unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all Bonds to be delivered at closing of the Bonds, and shall additionally authenticate all Bonds properly surrendered for exchange or transfer pursuant to this Ordinance.
 2. The ownership of all Bonds shall be entered in the Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the Bond register as the owner of the Bond for all purposes.
 3. While the Bonds are in book-entry only form, the Paying Agent shall transfer Bond principal and interest payments in the manner required by DTC.
 4. If the Bonds cease to be in book-entry only form, the Paying Agent shall mail each interest payment on the interest Payment Date (or the next Business Day if the Payment Date is not a Business Day) to the name and address of the Owners as they appear on the Bond register as of the Record Date. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.
 5. Bonds may be exchanged for an equal principal amount of Bonds of the same maturity which are in different denominations, and Bonds may be transferred to other Owners if the Owner submits the following to the Paying Agent:
 - a. written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent and
 - b. the Bonds to be exchanged or transferred.
 6. The Paying Agent shall not be required to exchange or transfer any Bonds submitted to it during any period beginning with a Record Date and ending on the next following Payment Date; however, such Bonds shall be exchanged or transferred promptly following that Payment Date.
 7. The Paying Agent shall note the date of authentication on each Bond. The date of authentication shall be the date on which the Owner's name is listed on the Bond register.
 8. For purposes of this Section 1.N, Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 1.N.5, above.
 9. The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.
- O. Defeasance.

The City shall be obligated to pay any Bonds which are defeased in accordance with this Section 1.O solely from the money and Government Obligations which are deposited in escrow pursuant to this Section 1.O. Bonds shall be deemed defeased, paid and no longer Outstanding if the City:

1. irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient without reinvestment for the payment of Bonds which are to be defeased; and,
2. files with the escrow agent or trustee an opinion from a Qualified Consultant to the effect that the money and the principal and interest to be received from the Government Obligations are calculated to be sufficient, without further reinvestment, to pay the defeased Bonds when due.

P. Rules of Construction.

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

1. References to Section numbers shall be construed as references to this Ordinance.
 2. References to one gender shall include all genders.
 3. References to the singular include the plural, and references to the plural include the singular.
- Q. First Series of Third Tier Bonds Authorized; Delegation.
1. In order to refinance costs of Arena Public Facilities (as defined in the Master Arena Bond Ordinance) which are eligible for payment from Gas Tax Revenues under Article IX, Section 3(A) of the Oregon Constitution, the City shall issue its Arena Gas Tax Revenue Bonds, Series 1996 (the "First Series of Third Tier Bonds") in a principal amount not to exceed \$14,000,000. The First Series of Third Tier Bonds shall be Third Tier Bonds.
 2. The First Series of Third Tier Bonds shall be payable solely from the Arena Net Revenues, the Gas Tax Revenues and amounts available in the Third Tier Reserve Fund, as provided in this Master Gas Tax Revenue Bond Ordinance and the Master Arena Bond Ordinance.
 3. Proceeds of the First Series of Third Tier Bonds shall be used to pay that portion of the interim financing for the Arena Public Facilities which is eligible for payment from Gas Tax Revenues under Article IX, Section 3(A) of the Oregon Constitution, and to pay costs of issuing the First Series of Third Tier Bonds.
 4. The City covenants with the Owners of the First Series of Third Tier Bonds not to take any action which would cause interest on the First Series of Third Tier Bonds to become includable in gross income under the Code. The Debt Manager may, on behalf of the City, enter into additional covenants to protect the tax-exempt status of the First Series of Third Tier Bonds.
 5. The Debt Manager may, on behalf of the City:
 - a. participate in the preparation of, authorize the distribution of, and deem final the preliminary and final official statements and any other disclosure documents for the First Series of Third Tier Bonds;
 - b. establish the final principal amounts, maturity schedules, interest rates, sale prices, redemption terms, payment terms and dates, and other terms of the First Series of Third Tier Bonds, and negotiate the terms of, and enter into, a bond purchase agreement with the underwriters for the First Series of Third Tier Bonds;
 - c. undertake to provide continuing disclosure for the First Series of Third Tier Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
 - d. apply for and purchase municipal bond insurance, surety bonds or any other forms of credit enhancement for the First Series of Third Tier Bonds, enter into covenants with the credit enhancer, and execute and deliver related documents; and
 - e. execute any documents and take any other action in connection with the First Series of Third Tier Bonds which the Debt Manager finds will be advantageous to the City.
 6. The First Series of Third Tier Bonds shall be in substantially the form attached hereto as Exhibit A, with such changes as may be approved by the Debt Manager. The First Series of Third Tier Bonds may be printed or typewritten, and may be issued as one or more temporary bonds which shall be exchangeable for definitive bonds when definitive bonds are available. The First Series of Third Tier Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.

- R. First Series of Gas Tax Bonds Authorized; Delegation.
1. In order to finance or refinance costs of public facilities which are eligible for payment from Gas Tax Revenues under Article IX, Section 3(A) of the Oregon Constitution, the City shall issue its Gas Tax Revenue Bonds, Series 1996 (the "First Series of Gas Tax Bonds") in a principal amount not to exceed \$7,500,000. The First Series of Gas Tax Bonds shall be Gas Tax Bonds.
 2. The First Series of Gas Tax Bonds shall be payable solely from the Gas Tax Revenues and amounts available in the Gas Tax Reserve Fund, as provided in this Master Gas Tax Revenue Bond Ordinance.
 3. Proceeds of the First Series of Gas Tax Bonds shall be used to finance or refinance costs of public facilities which are eligible for payment from Gas Tax Revenues under Article IX, Section 3(A) of the Oregon Constitution, and to pay costs of issuing the First Series of Gas Tax Bonds.
 4. The City covenants with the Owners of the First Series of Gas Tax Bonds not to take any action which would cause interest on the First Series of Gas Tax Bonds to become includable in gross income under the Code. The Debt Manager may, on behalf of the City, enter into additional covenants to protect the tax-exempt status of the First Series of Gas Tax Bonds.
 5. The Debt Manager may, on behalf of the City:
 - a. participate in the preparation of, authorize the distribution of, and deem final the preliminary and final official statements and any other disclosure documents for the First Series of Gas Tax Bonds;
 - b. establish the final principal amounts, maturity schedules, interest rates, sale prices, redemption terms, payment terms and dates, and other terms of the First Series of Gas Tax Bonds, and negotiate the terms of, and enter into, a bond purchase agreement with the underwriters for the First Series of Gas Tax Bonds;
 - c. undertake to provide continuing disclosure for the First Series of Gas Tax Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
 - d. apply for and purchase municipal bond insurance, surety bonds or any other forms of credit enhancement for the First Series of Gas Tax Bonds, enter into covenants with the credit enhancer, and execute and deliver related documents; and
 - e. execute any documents and take any other action in connection with the First Series of Gas Tax Bonds which the Debt Manager finds will be advantageous to the City.
 6. The First Series of Gas Tax Bonds shall be in substantially the form attached hereto as Exhibit B, with such changes as may be approved by the Debt Manager. The First Series of Gas Tax Bonds may be printed or typewritten, and may be issued as one or more temporary bonds which shall be exchangeable for definitive bonds when definitive bonds are available. The First Series of Gas Tax Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.
- S. Second Series of Gas Tax Bonds Authorized; Delegation.
1. The City is hereby authorized to issue its Gas Tax Revenue Bonds, 1998 Series A (the "Second Series of Gas Tax Bonds") in a principal amount of not more than \$3,200,000. The Second Series of Gas Tax Bonds shall be Gas Tax Bonds and Additional Gas Tax Bonds, as defined in this Master Gas Tax Revenue Bond Ordinance.
 2. The Second Series of Gas Tax Bonds shall be payable solely from the Gas Tax Revenues and amounts available in the Gas Tax Reserve Fund, as provided in this Master Gas Tax Revenue Bond Ordinance.

3. Proceeds of the Second Series of Gas Tax Bonds may be used only to finance or refinance costs of public facilities which are eligible for payment from Gas Tax Revenues under Article IX, Section 3(A) of the Oregon Constitution, to fund reserves for Gas Tax Bonds, and to pay cost of issuing the Second Series of Gas Tax Bonds.
 4. The City covenants with the Owners of the Second Series of Gas Tax Bonds not to take any action which would cause interest on the Second Series of Gas Tax Bonds to become includable in gross income under the Code. The Debt Manager may, on behalf of the City, enter into additional covenants to protect the tax-exempt status of the Second Series of Gas Tax Bonds.
 5. The Debt Manager may, on behalf of the City and without further action by the Council:
 - a. participate in the preparation of, authorize the distribution of, and deem final the preliminary and final official statements and any other disclosure documents for the Second Series of Gas Tax Bonds;
 - b. establish the final principal amounts, maturity schedules, interest rates, sale prices, redemption terms, payment terms and dates, and other terms of the Second Series of Gas Tax Bonds, and either publish a notice of sale, receive bids and award the sale of the Second Series of Gas Tax Bonds to the bidder complying with the notice and offering the most favorable terms to the City, or select one or more underwriters and negotiate the sale of the Second Series of Gas Tax Bonds with those underwriters;
 - c. undertake to provide continuing disclosure for the Second Series of Gas Tax Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission;
 - d. apply for and purchase municipal bond insurance, surety bonds or any other forms of credit enhancement for the Second Series of Gas Tax Bonds, enter into covenants with the credit enhancer, and execute and deliver related documents; and
 - e. execute any documents and take any other action in connection with the Second Series of Gas Tax Bonds which the Debt Manager finds will be advantageous to the City.
 6. The Second Series of Gas Tax Bonds shall be in substantially the form attached to Ordinance No. 170507 as Exhibit B, with such changes as may be approved by the Debt Manager. The Second Series of Gas Tax Bonds may be printed or typewritten, and may be issued as one or more temporary bonds which shall be exchangeable for definitive bonds when definitive bonds are available. The Second Series of Gas Tax Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.
 7. The City shall issue the Second Series of Gas Tax Bonds only in compliance with the requirements of Section 1.G.2 of this Master Gas Tax Revenue Bond Ordinance.
- T. Third Series of Gas Tax Bonds Authorized; Delegation.
1. The City is hereby authorized to issue Gas Tax Bonds (the "Third Series of Gas Tax Bonds") in a principal amount that is sufficient to refund all or any portion of the First Series of Gas Tax Bonds and the Second Series of Gas Tax Bonds, and pay costs related to the Third Series of Gas Tax Bonds. The Third Series of Gas Tax Bonds shall be Gas Tax Bonds and Additional Gas Tax Bonds, as defined in this Master Gas Tax Revenue Bond Ordinance.
 2. The Third Series of Gas Tax Bonds shall be payable solely from the Gas Tax Revenues and amounts available in the Gas Tax Reserve Fund, as provided in this Master Gas Tax Revenue Bond Ordinance.
 3. Proceeds of the Third Series of Gas Tax Bonds may be used only to pay costs of refunding all or any portion of the First Series of Gas Tax Bonds and the Second Series of Gas Tax Bonds, and to pay costs related to the Third Series of Gas Tax Bonds.

4. The City covenants with the Owners of the Third Series of Gas Tax Bonds not to take any action which would cause interest on the Third Series of Gas Tax Bonds to become includable in gross income under the Code. The Debt Manager may, on behalf of the City, enter into additional covenants to protect the tax-exempt status of the Third Series of Gas Tax Bonds.

5. The Debt Manager may, on behalf of the City and without further action by the Council:

- a. Submit an advance refunding plan for the First and Second Series of Gas Tax Bonds to the State Treasurer.
- b. Participate in the preparation of, authorize the distribution of, and deem final the preliminary and final official statements and any other disclosure documents for the Third Series of Gas Tax Bonds.
- c. Provide that the Third Series of Gas Tax Bonds may be issued in one or more series, may bear interest at fixed rates or variable rates, and may pay deferred interest.
- d. Establish the final principal amounts, maturity schedules, interest rates, sale prices, redemption terms, payment terms and dates, and other terms of the Third Series of Gas Tax Bonds, and either publish a notice of sale, receive bids and award the sale of the Third Series of Gas Tax Bonds to the bidder complying with the notice and offering the most favorable terms to the City, or select one or more underwriters and negotiate the sale of the Third Series of Gas Tax Bonds with those underwriters.
- e. Undertake to provide continuing disclosure for the Third Series of Gas Tax Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
- f. Apply for and purchase municipal bond insurance or obtain other forms of credit enhancements for each series of the Third Series of Gas Tax Bonds, include in the bond declarations authorized by Section 1.B.5.j covenants and agreements with the providers of credit enhancement, and execute and deliver related documents and agreements.
- g. Provide that one or more series of Third Series of Gas Tax Bonds bears interest that is includable in gross income under the Code.
- h. Provide that one or more series of Third Series of Gas Tax Bonds bears interest that is excludable from gross income under the Code, and covenant with the owners of the Third Series of Gas Tax Bonds to maintain the excludability of interest on the Third Series of Gas Tax Bond from gross income.
- i. Appoint and enter into agreements with paying agents, escrow agents, remarketing agents, verification agents and other professionals and service providers.
- j. Execute and deliver one or more bond declarations. The bond declarations may contain covenants to maintain the tax-exemption for interest on tax-exempt Third Series of Bonds, and covenants that are expected to reduce the interest expense and other costs of the Third Series of Gas Tax Bonds by granting additional security to the owners of the Third Series of Gas Tax Bonds and the providers of credit enhancement for the Third Series of Gas Tax Bonds. The declarations shall also contain the maturity schedules, interest rates, default provisions, redemption and defeasance rights, administrative provisions and other terms of the Third Series of Gas Tax Bonds.
- k. Execute any documents and take any other action in connection with the Third Series of Gas Tax Bonds, which the Debt Manager finds will be advantageous to the City.

6. The Third Series of Gas Tax Bonds shall be in substantially the form attached to the Master Gas Tax Revenue Bond Ordinance as Exhibit B, with such changes as may be approved by the Debt Manager. The Third Series of Gas Tax Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and City Auditor.

7. The City shall issue the Third Series of Gas Tax Bonds in compliance with the requirements of Section 1.G.2 of the Master Gas Tax Revenue Bond Ordinance.

Section 2. Declaration of Emergency. The Council declares that an emergency exists in order that the Third Series of Gas Tax Bonds may be issued while interest rates are favorable. Therefore, this Ordinance shall be in force and effect from and after its passage by the Council.

APPENDIX B
BOND DECLARATION



BOND DECLARATION

City of Portland, Oregon

Gas Tax Revenue Bonds

2011 Series A

Executed on behalf of the City of Portland, Oregon

As of the __ day of November, 2011

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BOND DECLARATION

THIS 2011 SERIES A BOND DECLARATION is executed as of November __, 2011, on behalf of the City of Portland, Oregon by its Debt Manager, acting as the “Debt Manager” pursuant to City Ordinance No.184818 adopted by the City Council on August 17, 2011. That ordinance authorizes the Debt Manager to execute a bond declaration to specify the terms under which the 2011 Series A Bonds are issued and the administrative provisions that apply to the 2011 Series A Bonds, and to provide any covenants that apply to the 2011 Series A Bonds that are not contained in the Master Gas Tax Revenue Bond Ordinance or the 2011 Ordinance.

Section 1. Definitions.

Capitalized terms used in this 2011 Series A Bond Declaration shall have the meanings defined for those terms in the Master Gas Tax Revenue Bond Ordinance, unless the context clearly requires otherwise or unless such terms are defined differently in this 2011 Series A Bond Declaration. Unless the context clearly requires otherwise, capitalized terms that are used in this 2011 Series A Bond Declaration shall have the following meanings:

“2011 Ordinance” means City Ordinance No. 184818 which was adopted by the City Council on August 17, 2011, and which authorizes the execution of this 2011 Series A Bond Declaration and the issuance of the 2011 Series A Bonds.

“2011 Series A Bond Declaration” means this Bond Declaration, including any amendments made in accordance with Section 6 of this Bond Declaration.

“2011 Series A Bonds” means the City’s Gas Tax Revenue Bonds, 2011 Series A, that are described in Section 2 of this 2011 Series A Bond Declaration.

“City” means the City of Portland, Oregon.

“Debt Manager” means the Debt Manager of the City, City Treasurer, Chief Financial Officer of the Bureau of Financial Services, the Chief Administrative Officer of the Office of Management and Finance of the City, or the person designated by the Chief Administrative Officer of the Office of Management and Finance to act as Debt Manager under this 2011 Series A Bond Declaration.

“Depository” means DTC and any other qualified securities depository designated by the City as a successor to DTC.

“DTC” means The Depository Trust Company, in New York, New York.

“Master Gas Tax Revenue Bond Ordinance” means City Ordinance No. 170507, as it has been, and may in the future be, amended and supplemented in accordance with its terms.

“Outstanding” refers to all Bonds authorized and delivered pursuant to this 2011 Series A Bond Declaration except Bonds which have been paid, canceled, or defeased pursuant to the Master Gas Tax Revenue Bond Ordinance, and Bonds which have matured but have not been presented for payment for the payment of which adequate money has been transferred to the Paying Agent.

“Owner” or “Owners” means the person or persons shown on the 2011 Series A Bond register maintained by the Paying Agent as the registered owner of a 2011 Series A Bond.

“Paying Agent” means the registrar and paying agent for the 2011 Series A Bonds, which, at the time of execution of this 2011 Series A Bond Declaration, is U.S. Bank National Association.

“Security” means the Gas Tax Revenues and amounts in the Gas Tax Reserve Fund.

Section 2. Basic Terms of 2011 Series A Bonds.

- (1) The 2011 Series A Bonds shall be in the aggregate principal amount of \$[principal], shall be dated November __, 2011, shall bear interest which is payable on February 1 and August 1 of each year, commencing August 1, 2012, and shall mature on the following dates in the following principal amounts:

<u>Due</u>	<u>Interest</u>	<u>CUSIP</u>
<u>February 1</u>	<u>Principal (\$)</u>	<u>Rate (%)</u>
		<u>(736694)</u>

- (2) The 2011 Series A Bonds are subject to redemption prior to maturity in whole or in part at the option of the City on any date on or after February 1, 2021, in any order of maturity and by lot within a maturity. Any such redemption shall be at a price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption. In the case of any redemption of less than all of the outstanding 2011 Series A Bonds, the City shall have the right to specify the particular maturities to be redeemed and the aggregate principal amount of each maturity to be redeemed.
- (3) 2011 Series A Bond proceeds shall be used as provided in the 2011 Ordinance to finance costs of transportation capital projects that are eligible to be financed with gas tax revenues under Article IX, Section 3a of the Oregon Constitution, to fund a contribution to the Gas Tax Reserve Fund, and to pay costs related to the 2011 Series A Bonds.
- (4) The 2011 Series A Bonds are issued as Additional Gas Tax Bonds under Section 1.G.2 of the Master Gas Tax Revenue Bond Ordinance. The City has filed with the City Auditor a certificate of the Debt Manager and the Director of the Portland Bureau of Transportation stating that the Gas Tax Revenues for thirteen consecutive Fiscal Periods of the

preceding twenty-six Fiscal Periods, were at least equal to 1.75 times Maximum Combined Debt Service, with the proposed 2011 Series A Bonds treated as Outstanding.

Section 3. Special Covenant.

The City covenants for the benefit of the Owners of the 2011 Series A Bonds that, so long as any 2011 Series A Bonds are Outstanding, the City will not issue Additional Gas Tax Bonds pursuant to Section 1.G.2(a) of the Master Gas Tax Revenue Bond Ordinance unless there has also been filed with the City Auditor a certificate of the Debt Manager and the Director of the Portland Office of Transportation stating that the sum of the Gas Tax Revenues for any twelve consecutive of the preceding twenty four months, was at least equal to 2.50 times Maximum Combined Debt Service, with the proposed Additional Gas Tax Bonds treated as Outstanding. This covenant may be subsequently amended without the consent of the Owners of 2011 Series A Bonds to conform it to any Master Gas Tax Revenue Bond Ordinance amendments that are permitted by Section 7.

Section 4. Tax Covenants.

The City covenants with the owners of the 2011 Series A Bonds to use the proceeds of the 2011 Series A Bonds and to otherwise comply with the provisions of the Code so that interest paid on the 2011 Series A Bonds will not be includable in gross income of the Owners for federal income tax purposes. The City specifically covenants:

- (1) the City shall not take any action or omit any action, if it would cause any series of 2011 Series A Bonds to become “arbitrage bonds” under Section 148 of the Code; and
- (2) the City shall operate the facilities financed with the 2011 Series A Bonds so that no 2011 Series A Bonds are “private activity bonds” within the meaning of Section 141 of the Code.

Section 5. Administrative Provisions for the 2011 Series A Bonds.

- (1) Payment of 2011 Series A Bonds. Principal of and interest on the 2011 Series A Bonds shall be payable through the principal office of the Paying Agent. The 2011 Series A Bonds shall be special obligations of the City, and shall be payable solely from the Security. In the Master Gas Tax Revenue Bond Ordinance the City has irrevocably pledged the Security to pay all Gas Tax Bonds, including the 2011 Series A Bonds. The City hereby reaffirms that pledge by executing this 2011 Series A Bond Declaration. Pursuant to ORS 287A.310, this pledge shall be valid and binding from the closing date of the 2011 Series A Bonds. The amounts so pledged and received by the City shall immediately be subject to the lien of these pledges without any physical delivery or further act.
- (2) Book-Entry System. The 2011 Series A Bonds shall be initially issued as a BEO security issue, with no 2011 Series A Bonds being made available to the beneficial owners, in accordance with the applicable Letter of Representations of DTC. Ownership of the 2011 Series A Bonds shall be recorded through entries on the books of banks and broker-dealer participants and correspondents that are related to entries on the DTC BEO system. The 2011 Series A Bonds shall be initially issued in the form of separate single

fully registered typewritten bonds for each maturity of the 2011 Series A Bonds (the “Global Bonds”) in substantially the form attached hereto as Exhibit A. Each Global Bond shall be registered in the name of CEDE & CO. as nominee (the “Nominee”) of the Depository as the “Owner,” and such Global Bonds shall remain in the Paying Agent’s custody, subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Paying Agent and DTC until early redemption or maturity of the 2011 Series A Bond. The Paying Agent shall remit payment for the maturing principal or redemption price and interest on the 2011 Series A Bonds to the Owner for distribution by the Nominee for the benefit of the beneficial owners (the “Beneficial Owners”) by recorded entry on the books of DTC participants and correspondents. While the 2011 Series A Bonds are in BEO form, the 2011 Series A Bonds will be available in denominations of \$5,000 and any integral multiple thereof.

- (A) In the event DTC determines not to continue to act as securities depository for the 2011 Series A Bonds, or the City determines that DTC shall no longer so act, then the City will discontinue the BEO system with DTC. If the City fails to designate another Depository to replace DTC or elects to discontinue use of a BEO, the 2011 Series A Bonds shall no longer be a BEO issue and the 2011 Series A Bonds shall be printed and delivered and shall not be registered as directed by DTC and thereafter shall be registered, transferred and exchanged as provided in Section N of the Master Gas Tax Revenue Bond Ordinance.
- (B) With respect to 2011 Series A Bonds registered in the registration books maintained by the Paying Agent in the name of the Nominee of the Depository, the City, and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of the Depository or to any Beneficial Owner on behalf of which such participants or correspondents act as agent for the Beneficial Owner with respect to:
 - (i) the accuracy of the records of the Depository, the Nominee or any participant or correspondent with respect to any ownership interest in the 2011 Series A Bonds;
 - (ii) the delivery to any participant or correspondent or any other person, other than an Owner, of any notice with respect to the 2011 Series A Bonds, including any notice of redemption;
 - (iii) the selection by the Depository of the beneficial ownership interest in 2011 Series A Bonds to be redeemed prior to maturity; or
 - (iv) the payment to any participant, correspondent, or any other person other than the Owner of the 2011 Series A Bonds, of any amount with respect to principal of or interest on the 2011 Series A Bonds.
- (C) Notwithstanding the BEO, the City may treat and consider the Owner in whose name each 2011 Series A Bond is registered in the registration books maintained by the Paying Agent as the Owner and absolute owner of such 2011 Series A Bond for the purpose of payment of principal and interest with respect to such 2011 Series A Bond, or for the purpose of giving notices of redemption and other matters with respect to such Bond, or

for the purpose of registering transfers with respect to such 2011 Series A Bond, or for all other purposes whatsoever. The City shall pay or cause to be paid all principal of and interest on the 2011 Series A Bonds only to or upon the order of the Owner or such Owner's respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligation with respect to payment thereof to the extent of the sum or sums so paid.

- (D) Upon delivery by the Depository to the City of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, then the word "Nominee" in this 2011 Series A Bond Declaration shall refer to such new nominee of the Depository, and upon receipt of such notice, the City shall promptly deliver a copy thereof to the Paying Agent. The Depository shall tender the 2011 Series A Bonds it holds to the Paying Agent for re-registration.
- (3) Notice of Redemption.
 - (A) For any 2011 Series A Bonds which are not in BEO form, unless waived by the Owner of such a 2011 Series A Bond, official notice of any redemption shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first-class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the 2011 Series A Bond or 2011 Series A Bonds to be redeemed at the address shown on the 2011 Series A Bond register or at such other address as is furnished in writing by such Owner to the Paying Agent.
 - (B) Unless DTC consents to a shorter period, for any 2011 Series A Bonds which are in BEO form the Paying Agent shall notify DTC not less than 20 days prior to the date fixed for redemption of the maturity to be redeemed in the manner required in the City's Letter of Representations to DTC. No other notice shall be required.
 - (C) In addition to the requirements of Section 5(3)(A) and Section 5(3)(B), all official notices of redemption shall be dated and shall state:
 - (i) the date fixed for redemption,
 - (ii) the redemption price,
 - (iii) if less than all Outstanding 2011 Series A Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the 2011 Series A Bonds to be redeemed,
 - (iv) except for calls described in Section 5(3)(E), below, that on the date fixed for redemption the redemption price will become due and payable upon each such 2011 Series A Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
 - (v) the place where such 2011 Series A Bonds are to be surrendered for payment of the redemption price, which place of payment shall be an office of the Paying Agent.

- (D) Except for calls described in Section 5(3)(E), below, official notice of redemption having been given as aforesaid, the 2011 Series A Bonds or portions of 2011 Series A Bonds so to be redeemed shall, on the date fixed for redemption, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such 2011 Series A Bonds or portions of 2011 Series A Bonds shall cease to bear interest. Upon surrender of such 2011 Series A Bonds for redemption in accordance with said notice, such 2011 Series A Bonds shall be paid by the Paying Agent at the redemption price. Installments of interest due on or prior to the date fixed for redemption shall be payable as this 2011 Series A Bond Declaration provides for payment of interest. Upon surrender for any partial redemption of any 2011 Series A Bond, there shall be prepared for the Owner a new 2011 Series A Bond or Bonds of the same maturity in the amount of the unpaid principal. All 2011 Series A Bonds which have been redeemed shall be canceled and destroyed by the Paying Agent and shall not be reissued.
- (E) Conditional Notice. Any notice of optional redemption to the Paying Agent or to the Owners pursuant to this Section 5 may state that the optional redemption is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such 2011 Series A Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Paying Agent to affected Owners of 2011 Series A Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.
- (F) Upon the payment of the redemption price of the 2011 Series A Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the 2011 Series A Bonds being redeemed with the proceeds of such check or other transfer.

Section 6. Amendment of 2011 Series A Bond Declaration.

- (1) The City may amend this 2011 Series A Bond Declaration without the consent of any Owner for any one or more of the following purposes:
 - (A) To cure any ambiguity or formal defect or omission in this 2011 Series A Bond Declaration;
 - (B) To add to the covenants and agreements of the City in this 2011 Series A Bond Declaration other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this 2011 Series A Bond Declaration as theretofore in effect;
 - (C) To confirm, as further assurance, any security interest or pledge created under this 2011 Series A Bond Declaration or any supplemental bond declaration;

- (D) To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners; and
- (E) To make any change described in Section 7 of this 2011 Series A Bond Declaration.
- (2) This 2011 Series A Bond Declaration may be amended for any other purpose only upon consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected 2011 Series A Bonds then Outstanding. However, no amendment shall be valid, without the consent of Owners representing not less than one hundred percent (100%) in aggregate principal amount of 2011 Series A Bonds then Outstanding, which:
 - (A) Extends the maturity of any 2011 Series A Bonds, reduces the rate of interest upon any 2011 Series A Bonds, extends the time of payment of interest on any 2011 Series A Bonds, reduces the amount of principal payable on any 2011 Series A Bonds, or reduces any premium payable on any 2011 Series A Bonds, without the consent of the affected Owner; or
 - (B) Reduces the percent of Owners required to approve amendments to this 2011 Series A Bond Declaration.

Section 7. Springing Amendments.

The Owners of the 2011 Series A Bonds will be deemed to have consented to the changes described in this Section 7, and the City may, without the consent of the Owners of the 2011 Series A Bonds, make the following changes to the Master Gas Tax Revenue Bond Ordinance, this 2011 Series A Bond Declaration and any bond declarations for other Series of Bonds:

- (1) Changes indicating that all Third Tier Bonds have been paid and that no additional Third Tier Bonds may be issued, and that remove all provisions dealing with “Arena Net Revenues,” the “Arena Bond Ordinance,” the “Arena Operating Fund,” “Third Tier Bonds,” “Third Tier Reserve Fund,” “Third Tier Reserve Credit Facility,” “Third Tier Reserve Requirement,” “Third Tier Event of Default,” “Maximum Combined Debt Service” and similar concepts.
- (2) Changes converting references to “Fiscal Periods” to an equivalent number of months.
- (3) Changes creating a subaccount (the “First Subaccount”) in the Gas Tax Reserve Fund that secures all Outstanding Bonds and the 2011 Series A Bonds, that permit the Gas Tax Reserve Requirement to be calculated based only on the Bonds that are secured by the First Subaccount, and that permit the First Subaccount to be used to secure subsequent Series of Bonds if the First Subaccount is funded at the Gas Tax Reserve Requirement calculated based on all Outstanding Bonds that are secured by the First Subaccount;
- (4) Changes allowing the City to create additional subaccounts (“Separate Subaccounts”) in the Gas Tax Reserve Fund that secure Bonds issued after the 2011 Series A Bonds, changes providing that Bonds which are secured by the First Subaccount will have no pledge of or claim on amounts in any Subsequent Subaccount, changes providing that

Bonds which are secured by a Subsequent Subaccount will have no pledge of or claim on amounts in the First Subaccount, changes requiring each Separate Subaccount to be funded at the Gas Tax Reserve Requirement, calculated based solely on the Outstanding Bonds that are secured by that Separate Subaccount, changes determining the circumstances under which a Subsequent Subaccount may be used to secure multiple series of Bonds, and changes determining the manner in which amounts in a Subsequent Subaccount are valued.

- (5) Changes allowing Annual Debt Service and related terms such as Maximum Annual Debt Service to be calculated by subtracting Bond interest which was paid, or which is reasonably expected to be paid, from federal interest subsidies.
- (6) Changes restating the Master Gas Tax Revenue Bond Ordinance as a Master Gas Tax Revenue Bond Declaration, so that the resulting document may be amended with the authorization of the City Council, but without enactment by City Council of an ordinance that approves the specific language of an amendment. The restated Master Gas Tax Revenue Bond Declaration shall incorporate all substantive provisions of the Master Gas Tax Revenue Bond Ordinance that are in effect on the date the restated Master Gas Tax Revenue Bond Declaration is executed. The restated Master Gas Tax Revenue Bond Declaration may provide that it governs the 2011 Series A Bonds and any subsequent series of Bonds in lieu of the Master Gas Tax Revenue Bond Ordinance, and may include the substantive provisions of any bond declarations for then Outstanding Series of Bonds.
- (7) Changes that amend Section 1.G.2(a)(3) of the Master Gas Tax Revenue Bond Ordinance to match the provisions of Section 3 of this 2011 Series A Bond Declaration.
- (8) Changes that are necessary to conform other provisions to the changes described in this Section 7.

Section 8. Form.

The 2011 Series A Bonds shall be issued in substantially the form attached to this 2011 Series A Bond Declaration as Appendix A. The 2011 Series A Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and the Auditor of the City.

Section 9. Rules of Construction.

In determining the meaning of provisions of this 2011 Series A Bond Declaration, the following rules shall apply unless the context clearly requires application of a different meaning:

- (1) References to section numbers shall be construed as references to sections of this 2011 Series A Bond Declaration.
- (2) References to one gender shall include all genders.
- (3) References to the singular shall include the plural, and references to the plural shall include the singular.

Dated as of the ___ day of November, 2011.

City of Portland, Oregon

By: _____
B. Jonas Biery, Debt Manager

Appendix A

Form of 2011 Series A Bond

No. R-«BondNumber»

\$«PrincipalAmtNumber»

**UNITED STATES OF AMERICA
STATE OF OREGON
COUNTIES OF MULTNOMAH, WASHINGTON AND CLACKAMAS
CITY OF PORTLAND
GAS TAX REVENUE BOND
2011 SERIES A**

Dated Date: November __, 2011

Interest Rate Per Annum: «CouponRate»%

Maturity Date: February 1, «MaturityYear»

CUSIP Number: 736694«CUSIPNumbr»

Registered Owner: -----Cede & Co.-----

Principal Amount: -----«PrincipalAmtSpelled» Dollars-----

The City of Portland, Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, but solely from the sources described below, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the first day of February and the first day of August in each year until maturity or prior redemption, commencing August 1, 2012. Payment of each installment of interest shall be made to the Registered Owner hereof whose name appears on the registration books of the City maintained by the City's paying agent and registrar, which is currently U.S. Bank National Association (the "Paying Agent"), as of the close of business on the fifteenth (15th) day of the calendar month immediately preceding the applicable interest payment date. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be paid on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York, and Cede & Co. is the nominee of The Depository Trust Company. Such payments shall be made payable to the order of "Cede & Co."

This 2011 Series A Bond is one of a duly authorized series of bonds aggregating \$[principal] in principal amount designated as Gas Tax Revenue Bonds, 2011 Series A (the "2011 Series A Bonds"). The 2011 Series A Bonds are issued as provided in City Ordinance No. 184818 of the City adopted on August 17, 2011 (the "2011 Ordinance") to finance costs of transportation capital projects that are eligible to be financed with gas tax revenues under Article IX, Section 3a of the Oregon Constitution, to fund a deposit to the Gas Tax Reserve Fund, and to pay costs related to the 2011 Series A Bonds. The 2011 Series A Bonds are issued under and pursuant to City Ordinance No. 170507, as amended (the "Master Gas Tax Revenue Bond Ordinance") and the 2011 Ordinance and in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City. The terms and administrative provisions for the 2011 Series A Bonds are specified in the Bond Declaration that was executed by the City Debt Manager on behalf of the City as of November __, 2011 (the "Declaration").

The 2011 Series A Bonds constitute valid and legally binding special obligations of the City. The 2011 Series A Bonds are payable solely from the Gas Tax Revenues and the reserves and other funds that are pledged to pay "Gas Tax Bonds" as defined and provided in the Master Gas Tax Revenue Bond Ordinance, the 2011 Ordinance and the Declaration. This 2011 Series A Bond is not a general obligation of the City of Portland or any other government. Neither the full faith and credit nor the taxing powers of the City, the State of Oregon or any other political subdivision thereof is pledged to the payment of the principal of, premium (if any) or interest on the 2011 Series A Bonds. No Owner of any 2011 Series A Bond shall have the right to compel the City to exercise its taxing powers to pay any amounts owing under or with respect to the 2011 Series A Bonds.

The City has issued other obligations that have a lien on the Gas Tax Revenues as permitted by the Master Gas Tax Revenue Bond Ordinance, and expects to issue such obligations in the future.

The 2011 Series A Bonds are initially issued as a book-entry-only security issue with no certificates provided to the beneficial owners. Records of ownership of beneficial interests in the 2011 Series A Bonds will be maintained by The Depository Trust Company and its participants. Should the book-entry only security system be discontinued, the City shall cause the Paying Agent to authenticate and deliver replacement 2011 Series A Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees, as provided in the Declaration. Such bonds may be exchanged for bonds of the same aggregate principal amount and maturity date, but different authorized denominations, as provided in the Declaration.

This 2011 Series A Bond is subject to redemption as described in the Declaration and the final Official Statement for the 2011 Series A Bonds.

Unless the book-entry-only system is discontinued, notice of any call for redemption shall be given as required by the Blanket City Letter of Representations to The Depository Trust Company, as referenced in the Declaration. The 2011 Series A Bonds are subject to conditional notice of redemption as provided in the Declaration. The Paying Agent will notify The Depository Trust Company promptly of any 2011 Series A Bonds called for redemption. If the book-entry-only system is discontinued, the Paying Agent and the City shall provide for notice of redemption as described in the Declaration. However, any failure to give notice shall not invalidate the redemption of the 2011 Series A Bonds.

Any exchange or transfer of this 2011 Series A Bond must be registered, as provided in the Declaration, upon the 2011 Series A Bond register kept for that purpose by the Paying Agent. The exchange or transfer of this 2011 Series A Bond may be registered only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Paying Agent and which is executed by the registered owner or duly authorized attorney. Upon registration, a new registered 2011 Series A Bond or Bonds, of the same maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Declaration. The City and the Paying Agent may treat the person in whose name this 2011 Series A Bond is registered on the 2011 Series A Bond register as its absolute owner for all purposes, as provided in the Declaration.

Unless this 2011 Series A Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC") to Issuer or its agent for registration of transfer, exchange or payment, and any 2011 Series A Bond issued is registered in the name of Cede & Co. or such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entry as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This 2011 Series A Bond shall remain in the Paying Agent's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Paying Agent and The Depository Trust Company.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this 2011 Series A Bond have existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon; and that the issue of which this 2011 Series A Bond is a part, and all other obligations of the City, are within every debt limitation and other limit prescribed by such Constitution and Statutes and City Charter.

IN WITNESS WHEREOF, the Council of the City of Portland, Oregon, has caused this 2011 Series A Bond to be signed by facsimile signature of its Mayor and countersigned by facsimile signature of its Auditor, and has caused a facsimile of the corporate seal of the City to be imprinted hereon, all as of the date first above written.



City of Portland, Oregon

Sam Adams, Mayor

LaVonne Griffin-Valade, Auditor

THIS 2011 SERIES A BOND SHALL NOT BE VALID UNLESS PROPERLY
AUTHENTICATED BY THE REGISTRAR IN THE SPACE INDICATED BELOW.

CERTIFICATE OF AUTHENTICATION

This 2011 Series A Bond is one of a series of \$[principal] aggregate principal amount of City of
Portland, Oregon, Gas Tax Revenue Bonds, 2011 Series A, issued pursuant to the 2011 Ordinance described herein.

Date of authentication: November __, 2011.

U.S. Bank National Association, as Paying Agent

Authorized Officer

ASSIGNMENT

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

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

this 2011 Series A Bond and does hereby irrevocably constitute and appoint _____ as attorney to transfer this 2011 Series A Bond on the books kept for registration thereof with the full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of this 2011 Series A Bond in every particular, without alteration or enlargement or any change whatever.

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

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of this 2011 Series A Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM -- tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship and not as tenants in common

OREGON CUSTODIANS use the following

_____ CUST UL OREG _____ MIN
as custodian for (name of minor)

OR UNIF TRANS MIN ACT

under the Oregon Uniform Transfer to Minors Act

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



APPENDIX C
AUDITED FINANCIAL STATEMENTS



INTRODUCTION TO FINANCIAL STATEMENTS

The financial statements of the City have been audited by independent certified public accountants for the fiscal years 2000, 2001, 2002, and 2003, and 2004. The following pages in this Appendix B are excerpted from the Comprehensive Annual Financial Reports of the City for the Fiscal Years ending June 30, 2000 through June 30, 2004.

Beginning with FY 2001-02, the City adopted the provisions of GASB Statement No. 34, which establishes new requirements and a new reporting model for the annual financial reports of state and local governments. Financial statement information presented for the Spectator Facilities Fund for FY 2001-02 through FY 2003-04 is presented separately, as financial reports for the prior two fiscal years included in this Official Statement have not been restated to the GASB 34 format for comparative purposes.

Copies of the Fiscal Years 2000 through 2004 Comprehensive Annual Financial Reports (“CAFR”) containing the reports of the independent certified public accountants are available on the City’s website at:

<http://www.portlandonline.com/omf/index.cfm?c=26053>

The City’s website is listed for reference only, and is not part of this Official Statement.

A CONSENT OF THE INDEPENDENT AUDITOR WAS NOT REQUESTED. THE AUDITOR WAS NOT REQUESTED TO PERFORM AND HAS NOT PERFORMED ANY SERVICE IN CONNECTION WITH THE OFFERING OF THE 2005 BONDS AND IS THEREFORE NOT ASSOCIATED WITH THE OFFERING OF THE 2005 BONDS.



CITY OF PORTLAND, OREGON
Transportation Operating Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Generally Accepted Accounting Principles Basis
for Fiscal Year Ended June 30

	2006	2007	2008	2009	2010
Revenues					
Rents and reimbursements	\$ 124,766	\$ 2,355	\$ 5,745	\$ 246,848	\$ 276,414
Licenses and fees	1,129,603	1,280,695	1,483,501	1,586,823	2,494,039
Intergovernmental revenues	77,349,396	80,378,143	56,270,445	45,849,135	49,634,754
Charges for services	30,798,006	45,172,772	40,352,925	32,259,171	30,471,398
Parking fees	14,513,028	16,995,520	17,140,482	16,778,511	21,420,844
Parking fines	3,326,982	3,772,552	3,813,102	3,701,318	4,355,712
Miscellaneous service charges	2,042,609	2,058,437	1,427,191	876,225	920,059
Assessments	1,351,784	853,857	841,257	1,002,213	224,478
Investment earnings	492,696	771,581	455,363	96,307	83,602
Other miscellaneous revenues	-	-	50,000	1,610,680	1,924,095
Total revenues	<u>131,128,870</u>	<u>151,285,912</u>	<u>121,840,011</u>	<u>104,007,231</u>	<u>111,805,395</u>
Expenditures					
Transportation and metered parking	92,540,824	99,888,023	104,511,579	106,801,273	131,813,483
Community Development	-	-	-	1,150	-
Capital outlay	69,660,142	82,597,572	51,566,602	15,820,323	13,135,041
Debt service and related costs	634,274	11,148,884	2,161,675	2,088,500	4,487,406
Total expenditures	<u>162,835,240</u>	<u>193,634,479</u>	<u>158,239,856</u>	<u>124,711,246</u>	<u>149,435,930</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(31,706,370)</u>	<u>(42,348,567)</u>	<u>(36,399,845)</u>	<u>(20,704,015)</u>	<u>(37,630,535)</u>
Other Financing Sources (Uses)					
Transfers in	35,073,870	44,642,455	24,199,193	15,278,802	39,641,173
Transfers out	(4,048,254)	(10,607,712)	(6,536,279)	(5,159,271)	(2,558,788)
Proceeds from sale of capital assets	4,500	-	175,000	72,391	-
Bonds and notes issued	12,618,349	3,498,063	16,860,000	-	352,279
Bonds and notes premium	-	-	198,553	-	-
Total other sources (uses)	<u>43,648,465</u>	<u>37,532,806</u>	<u>34,896,467</u>	<u>10,191,922</u>	<u>37,434,664</u>
Net change in fund balances	11,942,095	(4,815,761)	(1,503,378)	(10,512,093)	(195,871)
Fund balance, beginning	17,099,641	29,450,421	24,747,201	23,335,418	12,823,325
Change in inventory	408,685	112,541	91,595	-	-
Fund balances, ending	<u>\$ 29,450,421</u>	<u>\$24,747,201</u>	<u>\$ 23,335,418</u>	<u>\$ 12,823,325</u>	<u>\$ 12,627,454</u>

Source: Derived from City of Portland audited annual financial statements.

CITY OF PORTLAND, OREGON
Transportation Operating Fund
Consecutive Balance Sheets
as of June 30

	2006	2007	2008	2009	2010
ASSETS					
Unrestricted:					
Cash and investments (1)	\$ 1,993,681	\$ -	\$ -	\$ -	\$ -
Receivables:					
Taxes					
Accounts, net	24,960,493	15,809,982	8,626,350	4,834,314	6,029,146
Assessments	1,287,515	456,799	940,539	691,228	429,578
Accrued interest	37,856	58,933	66,345	-	20,607
Due from other funds	5,001,529	3,372,733	5,865,807	4,949,569	351,789
Due from component unit	-	2,218,577	2,292,671	5,636,797	3,978,460
Internal loans	-	-	-	-	4,589,433
Inventories	2,066,094	2,178,635	2,270,230	2,227,039	2,177,544
Prepaid items	3,856,466	3,851,501	3,846,537	761,107	1,027,536
Restricted:					
Cash and investments (1)	12,676,966	13,833,660	8,823,069	2,232,464	1,509,334
Total assets	\$ 51,880,600	\$ 41,780,820	\$ 32,731,548	\$ 21,332,518	\$ 20,113,427
LIABILITIES AND FUND BALANCES					
Liabilities payable from unrestricted assets:					
Accounts payable	\$ 9,084,938	\$ 9,008,676	\$ 5,123,300	\$ 4,958,574	\$ 3,475,202
Due to component unit	-	-	-	-	9,330
Internal loans payable	6,000,000	-	-	-	-
Deferred revenue	1,287,515	456,799	906,916	657,604	633,352
Unearned revenue	4,636,574	4,355,569	3,050,443	2,414,550	2,246,548
Other accrued liabilities	1,421,152	3,212,575	315,471	88,375	24,453
Liabilities payable from restricted assets:					
Accounts payable	-	-	-	390,090	1,097,088
Total liabilities	22,430,179	17,033,619	9,396,130	8,509,193	7,485,973
Fund Balance:					
Reserved for:					
Transportation and metered parking	12,676,966	2,178,635	2,270,230	2,227,039	2,177,544
Petty cash	-	-	-	-	-
Inventories	-	-	-	-	-
Unreserved, reported in:					
Major funds	16,773,455	22,568,566	21,065,188	10,596,286	10,449,910
Total fund balance	29,450,421	24,747,201	23,335,418	12,823,325	12,627,454
Total liabilities and fund balance	\$ 51,880,600	\$ 41,780,820	\$ 32,731,548	\$ 21,332,518	\$ 20,113,427

Notes:

- (1) Beginning in FY 2005-06, cash balances from System Development Charges (SDCs) was recognized as restricted cash. For FY 2006-07 through FY 2009-10, the amounts shown are net of intrafund loans of \$3.8 million, \$10.2 million, \$20.1 million and \$21.3 million respectively, of SDC cash for operating purposes. These funds will be restored with interest and made available for SDC projects.

Source: City of Portland audited annual financial statements.

APPENDIX D
LEGAL OPINION



_____, 2011

City of Portland
1221 S.W. Fourth Avenue, Room 120
Portland, Oregon 97204

[Initial Purchaser]

Subject: \$_____ City of Portland, Oregon, Gas Tax Revenue Bonds,
2011 Series A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Portland, Oregon (the "City") of its Gas Tax Revenue Bonds, 2011 Series A (the "Bonds"), which are dated as of _____, 2011, and are in the aggregate principal amount of \$_____. The Bonds are authorized by Oregon Revised Statutes Section 287A.150, City Ordinance No. 170507, as amended, and City Ordinance No. 184818. City Ordinance No. 170507, as amended, and City Ordinance No. 184818 are referred to in this opinion as the "Ordinances." The City has also executed a Bond Declaration which describes memorializes the terms of the Bonds, contains special covenants for the benefit of the Owners of the Bonds, and reserves to the City the right to make future amendments to the Ordinances and the Bond Declaration without the consent of the Owners of the Bonds.

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 the official statement or other offering materials relating to the Bonds, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the official statement.

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Ordinance 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 Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon, the Charter of the City, City Ordinance No. 170507, as amended, and City Ordinance No. 184818. The Bonds constitute valid and legally binding special obligations of the City that are enforceable against the City in accordance with their terms.
2. The Bonds are special obligations of the City that are payable solely from the Gas Tax Revenues, amounts credited to the Gas Tax Reserve Fund, and related amounts that are specifically pledged to pay the Bonds by the Ordinances and the Bond Declaration. The Bonds are secured on a parity with other obligations the City has issued under the Ordinances, and the City has reserved the right to issue additional parity obligations in the future. The Bonds are not secured by the full faith and credit or general taxing power of the City.
3. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations. The portion of the opinion set forth in this paragraph is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

We note that the City has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code.

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

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

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

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms “law” and “laws” do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion. This opinion speaks as of its date only, and we disclaim any undertaking or obligation to advise you of any changes that hereafter may be brought to our attention or any change in law that may hereafter occur.

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

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

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

Respectfully submitted,

K&L GATES LLP

Lawyers

APPENDIX E
CONTINUING DISCLOSURE CERTIFICATE



CONTINUING DISCLOSURE CERTIFICATE

§ _____
City of Portland, Oregon
Gas Tax Revenue Bonds
2011 Series A

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by the City of Portland, Oregon (the "City") in connection with the issuance of the City's Gas Tax Revenue Bonds, 2011 Series A (the "Bonds").

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the City for the benefit of the Bondowners and to assist the underwriter(s) of the Bonds in complying with paragraph (b)(5) of the Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) as amended, (the "Rule"). This Certificate constitutes the City's written undertaking for the benefit of the Bondowners as required by Section (b)(5) of the Rule.

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for purposes of this Certificate, have the meanings herein specified.

"Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

"Bondowners" means the registered owners of the Bonds, as shown on the bond register maintained by the Paying Agent for the Bonds, and any Beneficial Owners.

"Commission" means the Securities and Exchange Commission.

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosure established by the MSRB and accessible at <http://emma.msrb.org/>.

"MSRB" means the Municipal Securities Rulemaking Board or any successor to its functions.

"Official Statement" means the final official statement for the Bonds dated November __, 2011.

"Rule" means the Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Financial Information. The City agrees to provide or cause to be provided to the MSRB, the following annual financial information and operating data for the prior fiscal year (commencing no later than March 31, 2012, for the fiscal year ended June 30, 2011):

A. The City's previous fiscal year annual financial statements prepared in accordance with the Oregon Local Budget Law (or any successor statute) and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors); and,

B. To the extent not included in the annual financial statements provided under Section 3.A of this certificate, historical information generally of the type included in the Official Statement under the heading "Annual Disclosure Information for the City;" and,

C. To the extent not included in the annual financial statements provided under Section 3.A of this certificate, historical information generally of the type included in

the Official Statement under the heading "Portland Bureau Of Transportation Financial And Operating Information."

Section 4. Timing. The information described in Sections 3.A and 3.B above shall be provided on or before nine months after the end of the City's fiscal year. The City's current fiscal year ends June 30. The City may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the MSRB.

Section 5. Material Events. The City to provide or cause to be provided to the MSRB in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (g) Modifications to the rights of security holders, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the securities, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the obligated person; (Note: For the purposes of the event identified in this paragraph (l), the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.);
- (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The City may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the City, such other event is material with respect to the Bonds, but the City does not undertake any commitment to provide such notice of any event except those events listed above.

Section 6. Failure to File Annual Financial Information. The City agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of a failure by the City to provide the annual financial information described in Section 3 above on or prior to the time set forth in Section 3.

Section 7. Termination/Modification. The City's obligation to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. This Certificate, or any provision hereof, shall be null and void if the City (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any provision hereof, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; and (b) notifies the MSRB of such opinion and the cancellation of this Certificate.

Section 8. Amendment. Notwithstanding any other provision of this Certificate, the City may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

A. If the amendment or waiver relates to the provisions of Sections 3.A or 3.B or Section 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the City with respect to the Bonds, or the type of business conducted;

B. The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment or waiver either (i) is approved by the Bondowners or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners.

In the event of any amendment or waiver of a provision of this Certificate, the City shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 5 hereof, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Bondowner's Remedies Under This Certificate. The right of any Bondowner to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of the City's obligations hereunder, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds hereunder.

Bondowners may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed a default or an event of default under the documents authorizing issuance of the Bonds, and no monetary damages shall arise or be payable hereunder, and the sole remedy under this Certificate in the event of any failure of the City to comply with this Certificate shall be an action to compel performance.

Section 10. Form of Information. All information required to be provided under this certificate will be provided in an electronic format as prescribed by the MSRB.

Section 11. Filing with EMMA. Any filings required by this certificate to be made with the MSRB may be made through EMMA so long as it is approved by the MSRB.

Section 12. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of the ___ day of November, 2011.

City of Portland, Oregon

B. Jonas Biery, Debt Manager

APPENDIX F
BOOK-ENTRY SYSTEM



BOOK ENTRY SYSTEM

DTC LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE (Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities f or

their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Re marketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.



