

## PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 2, 2021

NEW ISSUE—FULL BOOK ENTRY  
BANK QUALIFIEDRATINGS:  
S&P: "AA" (\_\_\_-insured)  
S&P: "\_\_\_" (Underlying)  
See "RATINGS" herein

In the opinion of Quint & Thimmig LLP, Larkspur, California, Special Counsel, subject to compliance by the City with certain covenants, interest with respect to the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended (the "Code"). It is also the opinion of Special Counsel that the Installment Sale Agreement is a "qualified tax-exempt obligation" under section 265(b)(3) of the Code. In addition, in the opinion of Special Counsel, interest with respect to the Certificates is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.



§ \*  
**CERTIFICATES OF PARTICIPATION**  
**(2021 Sewer System Financing Project)**  
**Evidencing the Direct, Undivided Fractional Interests**  
**of the Owners Thereof in Installment Payments**  
**to be Made by the**  
**CITY OF WILLOWS**  
**(Glenn County, California)**  
**As the Purchase Price for Certain Property**  
**Pursuant to an Installment Sale Agreement with the**  
**Public Property Financing Corporation of California**

Dated: Date of Delivery

Due: October 1, as shown on the Inside Cover

The captioned Certificates of Participation (the "Certificates") are being executed and delivered to provide funds to (a) refinance the acquisition and construction of certain improvements to the municipal sewer enterprise (the "Enterprise") of the City of Willows (the "City"), and, in particular, to provide for the refunding of the City's outstanding 2007 Certificates of Participation (Sewer Treatment Renovation Project), (b) finance the acquisition and construction of certain new improvements and facilities to the Enterprise, (c) pay the cost of purchasing a municipal bond insurance policy for the Certificates, (d) pay the cost of purchasing a reserve fund municipal bond insurance policy in lieu of cash funding a reserve fund for the Certificates, (e) fund capitalized interest with respect to the Certificates through April 1, 2022, and (f) pay costs of the execution, sale and delivery of the Certificates, all as more fully described herein. See "THE PLAN OF FINANCING" herein.

The Certificates will evidence the direct, undivided fractional interests of the registered owners thereof (the "Owners") in the installment payments (the "Installment Payments") to be made by the City as the purchase price for certain property pursuant to an installment sale agreement, dated as of November 1, 2021 (the "Installment Sale Agreement"), with the Public Property Financing Corporation of California (the "Corporation"). The Corporation will assign its right to receive Installment Payments from the City under the Installment Sale Agreement and its right to enforce payment of the Installment Payments when due or otherwise protect its interest in the event of a default by the City thereunder to U.S. Bank National Association, Los Angeles, California, as trustee (the "Trustee"), for the benefit of the registered owners of the Certificates.

The Certificates will be executed and delivered pursuant to a trust agreement, by and among the Corporation, the City and the Trustee. The Certificates will be executed and delivered in book-entry form only, and will be initially registered in the name of Code & Co., as nominee of The Depository Trust Company, New York, New York (referred to herein as "DTC"). Purchasers of the Certificates (the "Beneficial Owners") will not receive physical certificates representing their interest in the Certificates. Interest with respect to the Certificates accrues from their date of delivery, and is payable semiannually by check mailed on each April 1 and October 1, commencing April 1, 2022. The Certificates may be executed and delivered in denominations of \$5,000 or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates. (See "THE CERTIFICATES—Book-Entry-Only System" herein).

*The Certificates are subject to redemption, as described herein.*

The City is legally required under the Installment Sale Agreement to make Installment Payments from a first and prior lien on the Net Revenues of the Enterprise. "Net Revenues" are the gross revenues of the Enterprise less operating and maintenance expenses of the Enterprise. Installment Payments are scheduled in an amount sufficient to pay, when due, the annual principal and interest with respect to the Certificates. The City has covenanted under the Installment Sale Agreement to prescribe, revise and collect such charges from the services and facilities of the Enterprise which will produce gross revenues sufficient in each fiscal year to provide Net Revenues equal to at least 1.25 times the aggregate annual payment requirements with respect to the Installment Sale Agreement and any parity obligations in such fiscal year, as required by the Installment Sale Agreement. The City's obligation to pay the Installment Payments will be on a parity with any additional parity obligations incurred by the City in the future.

The following firm, serving as financial advisor to the City, has structured this issue:



The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by \_\_\_\_\_. See "MUNICIPAL BOND INSURANCE" herein.

[INSURER LOGO]

THE OBLIGATION OF THE CITY TO MAKE THE INSTALLMENT PAYMENTS DESCRIBED HEREIN IS A LIMITED OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES OF THE ENTERPRISE AND DOES NOT CONSTITUTE A DEBT OF THE CITY, GLENN COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS****SEE THE INSIDE COVER**

The cover page contains certain information for general reference only. It is not a summary of all the provisions of the Certificates. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS" herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

*The Certificates will be offered when, as and if delivered and received by the Underwriter subject to approval by Quint & Thimmig LLP, Larkspur, California, as Special Counsel. Certain matters will be passed upon for the City by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel, and for the Underwriter by Nixon Peabody LLP, Los Angeles, California. It is anticipated that the Certificates will be available for delivery to DTC in New York, New York, on or about December 22, 2021.*

**HilltopSecurities**

Dated: December \_\_, 2021

\*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

\$ \_\_\_\_\_ \*

**CERTIFICATES OF PARTICIPATION**  
**(2021 Sewer System Financing Project)**  
**Evidencing the Direct, Undivided Fractional Interests**  
**of the Owners Thereof in Installment Payments**  
**to be Made by the**  
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**Public Property Financing Corporation of California**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS\***

\$ \_\_\_\_\_ **Serial Bonds**

CUSIP† Prefix: \_\_\_\_\_

<u>Maturity</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u> <u>Suffix</u>
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\$ \_\_\_\_\_ % Term Certificates Maturing October 1, \_\_\_\_\_; Price: \_\_\_\_\_, to Yield \_\_\_\_\_%—CUSIP†: \_\_\_\_\_

\$ \_\_\_\_\_ % Term Certificates Maturing October 1, \_\_\_\_\_; Price: \_\_\_\_\_, to Yield \_\_\_\_\_%—CUSIP†: \_\_\_\_\_

\*Preliminary, subject to change.

† Copyright 2021, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by S&P Capital IQ. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the Certificates. Neither the City nor the Underwriter is responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"), this Preliminary Official Statement constitutes an "official statement" of the City with respect to the Certificates that has been deemed "final" by the City as of its date except for the omission of no more than the information permitted by Rule 15c2-12.*

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized. 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 Certificates by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained from the City and from other sources and is believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions 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 since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the Certificates, the Installment Sale Agreement, the Trust Agreement, the Assignment Agreement, or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Finance Director for further information. See "INTRODUCTION—Other Information."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE CERTIFICATES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

The execution, sale and delivery of the Certificates has not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder.

\_\_\_\_\_ (the "Municipal Bond Insurer") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, the Municipal Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Municipal Bond Insurer supplied by the Municipal Bond Insurer and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX H—SPECIMEN MUNICIPAL BOND INSURANCE POLICY".

The City maintains a website. Unless specifically indicated otherwise, the information presented on such website is *not* incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Certificates.

# CITY OF WILLOWS LOCATION MAP



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## **CITY OF WILLOWS**

201 North Lassen St.  
Willows, CA 95988  
(530) 934-7041  
*www.cityofwillows.org*

### **City Council**

Larry Domenighini, *Mayor*  
Gary Hansen, *Vice Mayor*  
Robert Griffith, *Councilmember*  
Kerri Warren, *Councilmember*  
Jeff Williams, *Councilmember*

### **City Staff and Officials**

Marti Brown, *Interim City Manager*  
Tara Rustenhoven, *City Clerk*  
John Wanger, *Interim Public Works Director*  
David Ritchie, Esq., *City Attorney*

### **Special Services**

Wulff, Hansen & Co.  
San Rafael, California  
*Municipal Advisor*

Quint & Thimmig LLP  
Larkspur, California  
*Special Counsel and Disclosure Counsel*

U.S. Bank National Association  
Los Angeles, California  
*Trustee*

## OFFICIAL STATEMENT

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### CERTIFICATES OF PARTICIPATION

(2021 Enterprise Financing Project)

Evidencing the Direct, Undivided Fractional Interests of the  
Owners Thereof in Installment Payments to be Made by the

CITY OF WILLOWS

(Glenn County, California)

As the Purchase Price For Certain Property Pursuant to an  
Installment Sale Agreement with the  
Public Property Financing Corporation of California

### INTRODUCTION

This introduction does not purport to be complete and reference is made to the body of this Official Statement, appendices and the documents referred to herein for more complete information with respect to matters concerning the captioned Certificates. Potential investors are encouraged to read this entire Official Statement. Capitalized terms used and not defined in this Introduction shall have the meanings assigned to them elsewhere in this Official Statement and in APPENDIX A—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS.

#### General

The purpose of this Official Statement, which includes the cover page, Table of Contents and Appendices (the "Official Statement"), is to provide certain information concerning the sale and delivery of Certificates of Participation (2021 Enterprise Financing Project) (the "Certificates"), in aggregate principal amount of \$ \_\_\_\_\_\* representing the direct, undivided fractional interests of the registered owners thereof (the "Owners") in installment payments (the "Installment Payments") to be made by the City of Willows, California (the "City"), as the purchase price for certain additions, betterments, extensions and improvements to the City's municipal sewer system (the "Enterprise"), pursuant to an Installment Sale Agreement, dated as of November 1, 2021 (the "Installment Sale Agreement"), by and between the City and the Public Property Financing Corporation of California (the "Corporation"). The Corporation will sell the Project to the City pursuant to the Installment Sale Agreement. The Certificates are being executed and delivered to (a) refinance the acquisition and construction of certain improvements to the Enterprise and, in particular, to provide for the refunding of the City's outstanding 2007 Certificates of Participation (Sewer Treatment Renovation Project) (the "2007 Certificates"), (b) finance the acquisition and construction of certain new improvements and facilities to the Enterprise (the "2021 Project"), (c) pay the cost of purchasing a municipal bond insurance policy for the Certificates, (d) pay the cost of purchasing a reserve fund municipal bond insurance policy in lieu of cash funding a reserve fund for the Certificates, (e) fund capitalized interest with respect to the Certificates through April 1, 2022, and (f) pay costs of the execution, sale and delivery of the Certificates. See "PLAN OF FINANCING."

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of November 1, 2021 (the "Trust Agreement"), by and among the City, the Corporation and U.S. Bank

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\* Preliminary, subject to change.

National Association, Los Angeles, California, as trustee (the "Trustee"), and constitute direct, undivided fractional interests of the Owners in the Installment Payments. Pursuant to an Assignment Agreement, dated as of November 1, 2021, between the Corporation and the Trustee (the "Assignment Agreement") the Corporation will assign to the Trustee, for the benefit of the Owners, its rights under the Installment Sale Agreement, including (i) its right to receive Installment Payments, and (ii) its right to enforce amounts payable upon default.

#### **Source of Payment for the Certificates**

In general, the City is required to pay to the Trustee, from a first and prior lien on the Net Revenues of the Enterprise, Installment Payments which are designed to be sufficient in both time and amount to pay, when due, the principal and interest with respect to the Certificates.

*"Gross Revenues"* means all gross charges received for, and all other gross income and receipts derived by the City from, the ownership and operation of the Enterprise or otherwise arising from the Enterprise, including but not limited to investment earnings thereon; but excluding (a) the proceeds of any *ad valorem* property taxes levied for the purpose of paying general obligation bonds of the City relating to the Enterprise, (b) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Enterprise; and (c) customers' deposits or any other deposits subject to refund until such deposits have become the property of the City, or contributions in aid of construction.

*"Operation and Maintenance Costs"* means the reasonable and necessary costs and expenses paid by the City for maintaining and operating the Enterprise, including but not limited to (a) costs of electricity and other forms of energy supplied to the Enterprise, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order, and (c) the reasonable administrative costs of the City attributable to the operation and maintenance of the Enterprise; but in all cases excluding (i) debt service payable on all other obligations incurred by the City with respect to the Enterprise including but not limited to any Parity Obligations, (ii) depreciation, replacement and obsolescence charges or reserves therefor and other noncash expenses, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

*"Net Revenues"* means Gross Revenues less Operation and Maintenance Expenses.

The City has covenanted in the Installment Sale Agreement to prescribe, revise and collect such charges from the services and facilities of the Enterprise which will produce Gross Revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least 1.25 times the aggregate annual payment requirements with respect to the Installment Sale Agreement and any parity obligations in such Fiscal Year.

THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS CONSTITUTES A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES AND DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.



## **The City**

The City was incorporated as a general law city on January 16, 1886 and is the county seat of Glenn County (the "County"), California. The City is located in the northern part of the California's Central Valley approximately halfway between the cities of Sacramento and Redding. The City encompasses an area of approximately 2.9 square miles and has a current population of approximately 6,200 residents. The City is a home to regional government offices of the California Highway Patrol, the California Department of Motor Vehicles, the United States Bureau of Reclamation and the main offices of the Mendocino National Forest, which comprises about one million acres of Federal land located mostly in mountainous terrain west of Willows. The City provides a full range of municipal services to its citizens including a public library, public safety, public works, planning and building regulation, recreation and parks, and sewer services.

Policy-making and legislative authority are vested in the City Council of the City (the "City Council") consisting of a Mayor, Vice Mayor and three other elected City Council members. The City Council appoints the City Manager and the City Attorney. The City Manager is responsible for directing, coordinating and carrying out City Council policies. For additional information with respect to the City, see "THE CITY," APPENDIX E—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY, and APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE YEAR ENDED JUNE 30, 2020.

## **The Enterprise**

The City owns the Enterprise, a municipal sewer system that serves the residents and commercial connections within the City limits and residents of the Northeast Willows Community Services District (the "CSD") in unincorporated Glenn County. All residents and businesses in the Enterprise's service area are required to connect to the Enterprise.

The Enterprise currently serves a total customer base of approximately 7,000 residents including all residents in the City and all residents in the CSD. There are approximately 3,000 customer connections to the Enterprise, of which approximately 90% are residential customers.

The wastewater generated by Enterprise customers flows from service laterals through a collection system to the City's Wastewater Treatment Plant (the "WWTP"). The WWTP provides tertiary treatment of sanitary wastewater as well as treatment and conditioning of the solids removed.

The City's Public Works Department supervises the operation of the Enterprise and the construction and maintenance of the Enterprise's facilities. Day-to-day operation of the WWTP and the Enterprise's collection system is provided by Inframark Water & Infrastructure Services, an independent operator under contract with the City.

For additional discussion about the Enterprise, see "THE ENTERPRISE" and "ENTERPRISE FINANCIAL INFORMATION."

## **Tax Matters**

In the opinion of Quint & Thimmig LLP, Larkspur, California, Special Counsel, subject to compliance by the City with certain covenants, interest with respect to the Certificates is excludable from

gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals. In addition, in the opinion of Special Counsel, interest with respect to the Certificates is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS."

### **Municipal Bond Insurance Policy; Reserve Policy**

The scheduled payment of the principal and interest with respect to the Certificates when due will be guaranteed under a municipal bond insurance policy (the "Municipal Bond Insurance Policy") to be issued by \_\_\_\_\_ (the "Municipal Bond Insurer") simultaneously with the delivery of the Certificates. See "MUNICIPAL BOND INSURANCE." In addition, the Municipal Bond Insurer has made a commitment to issue a municipal bond insurance policy for the Reserve Fund (the "Reserve Policy") in an amount equal to the Reserve Requirement. See "SOURCE OF PAYMENT FOR THE CERTIFICATES—Reserve Fund."

### **Continuing Disclosure**

The City will covenant in a Continuing Disclosure Certificate to prepare and deliver an annual report to the Municipal Securities Rulemaking Board (the "MSRB") through the MSRB's Electronic Municipal Market Access system. See "CONTINUING DISCLOSURE" and APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

### **Summaries of Documents**

This Official Statement contains descriptions of the Certificates, the Trust Agreement, the Installment Sale Agreement, the Assignment Agreement and various other agreements and documents. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors' rights generally. Copies of the various documents described herein are available for inspection during business hours at the corporate trust office of the Trustee at 633 West Fifth Street, 24th Floor, Los Angeles, CA 90071.

### **Forward-Looking Statements**

This Official Statement, and particularly the information contained under the headings entitled "THE PROJECT," "THE ENTERPRISE," "RISK FACTORS RELATING TO THE CERTIFICATES" and APPENDIX E— GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY, contain statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 2000. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" 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. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The City is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. See "RISK

**FACTORS RELATING TO THE CERTIFICATES” and “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES.”**

**Other Information**

This Official Statement speaks only as of its date as set forth on the cover hereof, 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 since the date hereof.

Unless otherwise expressly noted, all references to internet websites in this Official Statement, including without limitation, the City’s website, are shown for reference and convenience only and none of their content is incorporated herein by reference. The information contained within such websites has not been reviewed by the City and the City makes no representation regarding the accuracy or completeness of the information therein.

**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds to be received from the sale of Certificates are anticipated to be applied as follows:

**SOURCES:**

Par Amount of Certificates	*
Plus: Original Issue Premium	
Total Sources of Funds	<u>                    </u>

**USES:**

Redemption of 2007 Certificates	
Deposit to Project Fund <sup>(1)</sup>	
Deposit to Installment Payment Fund <sup>(2)</sup>	
Delivery Costs <sup>(3)</sup>	
Total Uses of Funds	<u>                    </u>

- (1) Amounts deposited in the Project Fund will be applied to the acquisition and construction of the Project. See “PLAN OF FINANCING—2021 Project.”
- (2) Represents capitalized interest with respect to the Certificates through April 1, 2022.
- (3) Delivery Costs include the Underwriter’s discount, fees and expenses of the Municipal Advisor, special counsel, disclosure counsel, and the Trustee, printing expenses, rating fees, premiums for the Municipal Bond Insurance Policy and the Reserve Policy and other costs.

**PLAN OF FINANCING**

Proceeds of the Certificates will be used to (a) refund the 2007 Certificates, (b) finance the 2021 Project, (c) pay the cost of purchasing the Municipal Bond Insurance Policy, (d) pay the cost of purchasing

\* Preliminary, subject to change.

the Reserve Policy, (e) fund capitalized interest with respect to the Certificates through April 1, 2022, and (f) pay costs of the execution, sale and delivery of the Certificates.

*Refunding the 2007 Certificates.* On the closing date, a portion of the proceeds of the Certificates will be used to redeem the 2007 Certificates in full.

The 2021 Project. A portion of the proceeds of the Certificates will be used to finance the 2021 Project which consists of all or a portion of the following projects:

### DEBT SERVICE REQUIREMENTS

The following table shows the scheduled annual debt service for the Certificates (assuming no redemptions other than sinking fund redemptions) is presented below:

Year Ending October 1	Principal <sup>(1)</sup>	Interest <sup>(2)</sup>	Total
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
<b>TOTAL</b>			

(1) Includes mandatory sinking fund installments.

(2) Interest with respect to the Certificates through April 1, 2022, has been funded from proceeds of the Certificates.

## THE CERTIFICATES

### General

The Certificates will be executed and delivered in the aggregate principal amount and will mature on the dates and interest with respect thereto will be payable at the rates per annum as set forth on the cover of this Official Statement. The Certificates will be delivered in the form of fully registered Certificates without coupons in the denomination of \$5,000 or any integral multiple thereof. Interest with respect to the Certificates will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on April 1 and October 1 of each year, commencing April 1, 2022 (each an "Interest Payment Date"), until maturity or earlier redemption thereof. The Certificates will be initially executed, delivered and registered in the name of "Cede & Co." as nominee of DTC and will be evidenced by one Certificate maturing on each of the maturity dates in a denomination corresponding to the total principal therein designated to mature on such date. See "THE CERTIFICATES—Book-Entry Only System."

Interest with respect to the Certificates will be payable from the Interest Payment Date next preceding the date of execution thereof, unless: (i) it is executed as of an Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (ii) it is executed after a Regular Record Date (i.e., the close of business on the 1st day of the month in which an Interest Payment Date occurs, whether or not such 1st day is a Business Day) and before the following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (iii) it is executed on or before March 15, 2022, in which event interest with respect thereto will be payable from its dated date; *provided, however*, that if, as of the date of execution of any Certificate, interest is in default with respect to any Outstanding Certificates, interest represented by such Certificate shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates. Payment of defaulted interest shall be paid by check mailed to the Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which shall be given to the Owners not less than ten (10) days prior to such special record date.

Payment of interest due with respect to any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his or her address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

### Redemption

*Optional Redemption.* The Certificates maturing on or before October 1, \_\_\_\_\_, are not subject to optional redemption prior to maturity. The Certificates maturing on and after October 1, \_\_\_\_\_, are subject to optional redemption in whole or in part on any date in such order of maturity as shall be designated by

the City (or, if the City shall fail to so designate the order of redemption, in *pro rata* among maturities) and by lot within a maturity, on any date on or after October 1, \_\_\_\_\_, at a redemption price equal to the principal amount of the Certificates to be redeemed, together with accrued interest, without premium, to the date fixed for redemption, from the proceeds of the optional prepayment of Installment Payments made by the City pursuant to the Installment Sale Agreement.

*Mandatory Sinking Fund Redemption.* The Certificates maturing on October 1, \_\_\_\_\_, are subject to mandatory redemption in part on October 1 in each year on and after October 1, \_\_\_\_\_, to and including October 1, \_\_\_\_\_, from the principal components of scheduled Installment Payments required to be paid by the City pursuant to the Installment Sale Agreement with respect to each such redemption date, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year (October 1)	Principal Amount of Certificates to be Redeemed
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†Maturity.

The Certificates maturing on October 1, \_\_\_\_\_, are subject to mandatory redemption in part on October 1 in each year on and after October 1, \_\_\_\_\_, to and including October 1, \_\_\_\_\_, from the principal components of scheduled Installment Payments required to be paid by the City pursuant to the Installment Sale Agreement with respect to each such redemption date, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year (October 1)	Principal Amount of Certificates to be Redeemed
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†Maturity.

The Certificates maturing on October 1, \_\_\_\_\_, are subject to mandatory redemption in part on October 1 in each year on and after October 1, \_\_\_\_\_, to and including October 1, \_\_\_\_\_, from the principal components of scheduled Installment Payments required to be paid by the City pursuant to the Installment Sale Agreement with respect to each such redemption date, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year  
(October 1)

Principal Amount of  
Certificates to be Redeemed

†Maturity.

*Extraordinary Redemption from Net Proceeds of Insurance, Condemnation or Eminent Domain Award.* The Certificates are subject to extraordinary redemption in whole or in part on any Interest Payment Date from the Net Proceeds of an insurance, condemnation or eminent domain award, to the extent credited towards the prepayment of the Installment Sale Agreement Payments by the City pursuant to the Installment Sale Agreement, in such order of maturity as shall be designated by the City (or, if the City shall fail to so designate the order of redemption, in *pro rata* among maturities) and by lot within a maturity, at a redemption price equal to the principal amount of the Certificates to be redeemed, together with accrued interest to the date fixed for redemption, without premium.

*Selection of Certificates for Redemption.* Whenever provision is made in the Trust Agreement for the redemption of Certificates and less than all of the Outstanding Certificates are to be redeemed, the Trustee will select Certificates for redemption from the Outstanding Certificates not previously called for redemption in such order of maturity as will be designated by the City (and, in lieu of such designation, *pro rata* among maturities) and by lot within a maturity. The Trustee will select Certificates for redemption within a maturity by lot in any manner which the Trustee, in its sole discretion, deems appropriate. For purposes of such selection, Certificates will be deemed to be composed of \$5,000 portions and any such portion may be separately redeemed. The Trustee will promptly notify the City in writing of the Certificates so selected for redemption. Selection by the Trustee of Certificates for redemption will be final and conclusive.

*Notice of Redemption.* Unless waived in writing by any Owner of a Certificate to be redeemed, notice of any such redemption will be given by the Trustee on behalf and at the expense of the City, by mailing a copy of a 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 such Owner of the Certificate or Certificates to be redeemed at the address shown on the Registration Books or at such other address as is furnished in writing by such Owner to the Trustee; *provided, however*, that neither the failure to receive such notice nor any defect in any notice will affect the sufficiency of the proceedings for the redemption of the Certificates.

*Effect of Redemption.* If notice of redemption has been given as described above, the Certificates or portions of Certificates so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date, interest with respect to such Certificates or portions of Certificates will cease to be payable.

*Partial Redemption of Certificate.* Upon surrender of any Certificate redeemed in part only, the Trustee will execute and deliver to the Owner thereof a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered and of the same interest rate and the same maturity.

## **Transfer and Exchange of Certificates**

The registration of any Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his or her attorney duly authorized in writing upon surrender of such Certificate for cancellation at the Principal Corporate Trust Office, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The City shall pay any costs of the Trustee incurred in connection with such transfer, except that the Trustee may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The Trustee shall not be required to transfer (i) any Certificates or portion thereof during the period between the date fifteen (15) days prior to the date of selection of Certificates for redemption and such date of selection, or (ii) any Certificates selected for redemption.

Certificates may be exchanged, upon surrender thereof, at the Principal Corporate Trust Office for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. Whenever any Certificate or Certificates shall be surrendered for exchange, the Trustee shall execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The City shall pay any costs of the Trustee incurred in connection with such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee shall not be required to exchange (i) any Certificate or any portion thereof during the period between the date fifteen (15) days prior to the date of selection of Certificates for redemption and such date of selection, or (ii) any Certificate selected for redemption.

## **Book-Entry Only System**

The Certificates will be initially executed, delivered and registered as one fully registered certificate for each maturity, without coupons, in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive physical certificates representing their interest in the Certificates purchased. Principal and interest will be paid to DTC which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein. So long as DTC's book-entry system is in effect with respect to the Certificates, notices to Owners of the Certificates by the City or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the Certificates, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. See APPENDIX G—BOOK-ENTRY ONLY SYSTEM.

In the event that such book-entry system is discontinued with respect to the Certificates, the City will cause the Trustee to execute and deliver replacements in the form of registered certificates and, thereafter, the Certificates will be transferable and exchangeable on the terms and conditions provided in the Trust Agreement. In addition, the following provisions would then apply: Payment of interest due with respect to any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his or her address as it appears on the Registration Books as of such Regular Record Date or,



upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request will remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

## **SOURCE OF PAYMENT FOR THE CERTIFICATES**

### **General**

Each Certificate represents a direct, undivided fractional interest in Installment Payments to be made by the City to the Corporation under the Installment Sale Agreement. The Corporation, pursuant to the Assignment Agreement, will assign certain of its rights under the Installment Sale Agreement to the Trustee for the benefit of the Owners, including its right to receive Installment Payments and prepayments made under the Installment Sale Agreement and its rights to enforce payment of the Installment Payments when due in the event of a default by the City. The obligation of the City to make Installment Payments constitutes a special obligation of the City payable solely from a first and prior lien on the Net Revenues, certain net proceeds of insurance or condemnation proceedings pertaining to the Project to the extent that such net proceeds are not used for the repair, reconstruction or replacement of the Project pursuant to the Installment Sale Agreement, and certain interest and other income derived from the investment of moneys held in funds and accounts held by the Trustee for the City pursuant to the Trust Agreement.

### **Special Obligation of the City**

The City's obligation to pay the Installment Payments shall be a special obligation limited solely to Net Revenues. Under no circumstances shall the City be required to advance any moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments, nor shall any other funds or property of the City be liable for the payment of the Installment Payments.

The obligation of the City to make the Installment Payments from Net Revenues and to perform and observe the other agreements contained in the Installment Sale Agreement shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach of the City, the Corporation or the Trustee of any obligation to the City or otherwise with respect to the Enterprise, whether under the Installment Sale Agreement or otherwise, or out of indebtedness or liability at any time owing to the City by the Corporation or the Trustee. Until such time as all of the Installment Payments shall have been fully paid or prepaid, the City (a) will not suspend, abate, or discontinue any payments provided for in the Installment Sale Agreement, (b) will perform and observe all other agreements contained in the Installment Sale Agreement, and (c) will not terminate the Term of the Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Enterprise, the taking by eminent domain of title to or temporary use of any or all of the Enterprise, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Corporation or the Trustee to perform and observe any agreement, whether express or

implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement, the Assignment Agreement or the Installment Sale Agreement.

Nothing shall be construed to release the Corporation from the performance of any of the agreements on its part contained in the Installment Sale Agreement, and in the event the Corporation shall fail to perform any such agreements on its part, the City may institute such action against the Corporation as the City may deem necessary to compel performance so long as such action does not abrogate the obligations of the City contained in the first sentence of the preceding paragraph. The City may, however, at the City's own cost and expense and in the City's own name or in the name of the Corporation prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect the City's right of possession, occupancy and use hereunder, and in such event the Corporation has agreed to cooperate fully with the City and to take such action necessary to effect the substitution of the City for the Corporation in such action or proceeding if the City shall so request.

### **Pledge of Net Revenues; Deposits to Pay Installment Payments; Release from Lien**

*Pledge of Net Revenues.* The City has agreed that the payment of the Installment Payments shall be secured by a pledge, charge and first and prior lien upon Net Revenues, and Net Revenues sufficient to pay the Installment Payments as they become due and payable, are pledged, charged, assigned, transferred and set over by the City to the Corporation and its assigns for the purpose of securing payment of the Installment Payments. The Net Revenues shall constitute a trust fund for the security and payment of the Installment Payments.

*Transfer to Pay Installment Payments.* In order to provide for the payment of Installment Payments when due, the City shall, on or before each March 15 and September 15 (each, an "Installment Payment Date"), transfer to the Trustee for deposit into the Installment Payment Fund the amount required for the next occurring Installment Payment Date. The City shall be obligated to make Installment Payments sufficient to pay all principal and interest due with respect to the Certificates.

*Release from Lien.* Following the transfer described above with respect to the September 15 Installment Payment Date, Net Revenues in excess of amounts required for the payment of Installment Payments and any Parity Obligations, in that Fiscal Year shall be released from the lien of this Installment Sale Agreement and shall be available for any lawful purpose of the City.

### **Rate Covenant**

The City covenants that it shall prescribe, revise and collect such charges for the services and facilities of the Enterprise which, after allowances for contingencies and error in the estimates, shall produce Gross Revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least 1.25 times (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Obligations coming due and payable during such Fiscal Year.

If, in any Fiscal Year, charges for the services and facilities of the Enterprise which, after allowances for contingencies and error in the estimates, shall produce Gross Revenues insufficient in each Fiscal Year to provide Net Revenues equal to at least 1.25 times (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Obligations coming due and payable during such Fiscal Year, the City covenants and agrees to notify the Trustee of such fact and to

employ an independent consultant to make recommendations as to a revision of the rates, fees and charges of the Enterprise or the methods of operation of the Enterprise that will result in producing Net Revenues equal to at least 1.25 times (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Obligations coming due and payable during such Fiscal Year.

The City covenants and agrees that it shall, promptly upon its receipt of such recommendations from such consultant, subject to applicable requirements or restrictions imposed by law, and subject to a good faith determination of the City Council that such recommendations, in whole or in part, are in the best interests of the City, revise its rates, fees and charges or its methods of operation or collections and shall take such other action as shall be in conformity with such recommendations. In the event that the City fails to comply with such recommendations, subject to the applicable requirements or restrictions imposed by law and to the determination of the City Council of the City that such recommendations are in the best interests of the City, the Corporation, or its assignee, may, in addition to the rights and remedies elsewhere set forth in this Installment Sale Agreement, and shall, upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and being indemnified to its satisfaction therefor, institute and prosecute an action or proceeding in a court of competent jurisdiction to compel the City to comply with the recommendations and requirements of the Installment Sale Agreement. If the City complies in all material respects with the reasonable recommendations of the consultant in respect to said rates, fees, charges and methods of operation or collection, the City will be deemed to have complied with the covenants described above notwithstanding that Net Revenues shall be less than the amount required under this Installment Sale Agreement for such Fiscal Year; provided, however, that such rates, fees, charges and methods of operation or collection shall produce Net Revenues equal to at least 100% of (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Obligations coming due and payable during such Fiscal Year; provided further, that this sentence shall not be construed as in any way excusing the City from taking any action or performing any duty required under this Installment Sale Agreement or be construed as constituting a waiver of any other Event of Default.

#### **Limitations on Future Obligations Secured by Net Revenues**

*No Obligations Superior to Installment Payments.* In order to protect further the availability of the Net Revenues and the security for the Installment Payments and any Parity Obligations, the City hereby agrees that the City shall not, so long as any Certificates are outstanding, issue or incur any obligations payable from Gross Revenues or Net Revenues superior to the Installment Payments or such Parity Obligations.

*Parity Obligations.* The City further covenants that, except for obligations issued or incurred to prepay the Installment Payments in full pursuant to the Installment Sale Agreement or to prepay Parity Obligations, the City shall not issue or incur any Parity Obligations unless:

(i) The City is not in default under the terms of this Installment Sale Agreement;

(ii) Net Revenues, calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any more recent twelve (12) month period selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Parity Obligations is issued or incurred, as shown by the books of the City, plus, at the option of the City, the additional allowance described below, shall have amounted to at least 1.25 times the sum of the maximum Installment Payments coming due and payable in any future

Fiscal Year and the maximum annual debt service on all Parity Obligations outstanding immediately subsequent to the incurring of such additional obligations.

Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in (ii) above:

(A) An allowance for revenues from any additions to or improvements or extensions of the Enterprise to be constructed with the proceeds of such additional obligations, and also for net revenues from any such additions, improvements or extensions which have been from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Obligations, all as shown by the certificate or opinion of a qualified independent consultant employed by the City, may be added to such Net Revenues for the purpose of applying the restriction contained in (ii) above.

(B) An allowance for earnings arising from any increase in the charges made for service from the Enterprise which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of a qualified independent engineer employed by the City.

(iii) A reserve fund may, but shall not be required to be, funded for such Parity Obligations.

(iv) Interest with respect to such Parity Obligations shall be paid on the Installment Payment Dates.

(v) Principal with respect to such Parity Obligations shall be paid on September 15.

*Subordinate Obligations.* The City further covenants that the City shall not issue or incur any Subordinate Obligations unless:

(i) Net Revenues, calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any more recent twelve (12) month period selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Subordinate Obligations is issued or incurred, as shown by the books of the City shall, after deducting all amounts required for the payment of Installment Payments and any Parity Obligations, have amounted to at least 1.00 times the sum of the maximum annual debt service on all Subordinate Obligations outstanding immediately subsequent to the incurring of such additional obligations. An allowance for earnings arising from any increase in the charges made for service from the Enterprise which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, may be added in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the

incurring of such additional obligations, as shown by the certificate or opinion of a qualified independent engineer employed by the City.

(ii) Interest with respect to such Subordinate Obligations shall be paid fifteen dates after the Interest Payment Dates.

(iii) Principal with respect to such Subordinate Obligations shall be paid on fifteen days after each August 1.

### **Additional Payments**

In addition to the Installment Payments, the City shall pay, from Net Revenues, when due, all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement and this Installment Sale Agreement, including, without limitation all Delivery Costs (to the extent not paid from amounts on deposit in the Delivery Costs Fund), compensation due to the Trustee for its fees, costs and expenses incurred under the Trust Agreement and the Assignment Agreement, compensation due to the Corporation for its fees, costs and expenses incurred under the Trust Agreement and all costs and expenses of attorneys, auditors, engineers and accountants.

### **Installment Payments**

Installment Payments are required to be made by the City under the Installment Sale Agreement on the fifteenth (15th) day of each March and September (each a "Installment Payment Date"). The Trust Agreement requires that Installment Payments be deposited in the Installment Payment Fund maintained by the Trustee. Pursuant to the Trust Agreement, the Trustee will apply such amounts in the Installment Payment Fund as are necessary to make principal and interest payments due with respect to the Certificates on April 1 and October 1 of each year sufficient to meet the following semi-annual payment schedule

(assuming no optional prepayment or mandatory prepayment from the net proceeds of insurance or condemnation):

<u>Installment Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Installment Payment</u>	<u>Installment Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Installment Payment</u>
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**Flow of Funds**

Pursuant to the terms of the Installment Sale Agreement, on the fifteenth (15th) day of each March and September, the City is legally required to make Installment Payments to the Trustee from Net Revenues, designed to be equal to the amount necessary for the Trustee to pay the principal and interest with respect to the Certificates due and payable on each April 1 and October 1. Pursuant to the terms of the Trust Agreement, (i) all Installment Payments received by the Trustee from the City, (ii) certain net proceeds awarded in insurance or eminent domain proceedings to the extent not used to repair or replace the Project, and (iii) any other moneys required to be deposited pursuant to the Installment Sale Agreement or the Trust Agreement, shall be deposited in the Installment Payment Fund.

The Trustee shall promptly distribute, on each Interest Payment Date, the moneys on deposit in the Installment Payment Fund to the Owners in payment of principal and interest then due with respect to the Certificates.

Any surplus remaining in the Installment Payment Fund after redemption and payment of all Certificates, including accrued interest, if any, and payment of any applicable fees to the Trustee, or provision for such redemption or payment having been made to the satisfaction of the Trustee, shall then be remitted to the City.

**Limitations on Remedies Available to Owners of the Certificates and the Trustee**

The enforceability of the rights and remedies of the Owners of the Certificates and the Trustee, and the obligations incurred by the City, may be subject to the following: the Federal bankruptcy code and

applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations, or modification of their rights. Remedies may be limited since the Project serves an essential public purpose.

### **Reserve Fund**

The Trust Agreement provides that the Trustee will establish and maintain a reserve fund (the "Reserve Fund") equal to the "Reserve Requirement." On the date of delivery of the Certificates, in lieu of a cash deposit to the Reserve Fund, the Municipal Bond Insurer will issue the Reserve Policy, in an amount equal to the Reserve Requirement. "Reserve Requirement" means an amount equal to the least of maximum annual Installment Payments, 125% of average annual Installment Payments and 10% of the principal amount of the Certificates, which amount shall be \$ \_\_\_\_\_ on the Closing Date. The amount of the Reserve Requirement shall not be reduced unless the Certificates are partially refunded, in which such amount shall be reduced to an amount equal to the maximum annual Installment Payments relating to the Certificates not so refunded.

### **Optional Prepayment**

Pursuant to the Installment Sale Agreement, the City has an option to prepay the principal components of the Installment Payments in full, by paying the aggregate unpaid principal components of the Installment Payments, or in part, in a prepayment amount equal to the principal amount of Installment Payments to be prepaid, together with accrued interest to the date fixed for prepayment, together with the premium set forth for the redemption of Certificates. See "THE CERTIFICATES—Redemption—Optional Redemption."

Said option may be exercised with respect to Installment Payments due on and after September 15, \_\_\_\_, in whole or in part on any Installment Payment Date, commencing September 15, \_\_\_\_\_. Said option shall be exercised by the City by giving written notice to the Corporation and the Trustee of the exercise of such option at least forty-five (45) days prior to said prepayment date (or such fewer number of days as shall be acceptable to the Trustee). In the event of prepayment in part, the partial prepayment will be applied against Installment Payments in such order of payment date as will be selected by the City. Installment Payments due after any such partial prepayment will be in the amounts set forth in a revised Installment Payment schedule which will be provided by, or caused to be provided by, the City to the Trustee and which will represent an adjustment to the schedule set forth in the Installment Sale Agreement taking into account said partial prepayment. The Trustee agrees to notify the Corporation in the event of any prepayment of Installment Payments, as provided in the Trust Agreement.

## **MUNICIPAL BOND INSURANCE**

[TO COME]

### **THE CORPORATION**

The Corporation is a nonprofit, public benefit corporation duly organized and existing under the laws of the State and is entitled to purchase personal and real property and to sell or lease such property, to contract for construction and improvements and to execute operating agreements regarding such property. The Corporation was formed for the purpose of providing financial assistance to public entities by acquiring, constructing, developing and refinancing certain facilities for the use and benefit of the public. The Corporation has no liability to the Owners of the Certificates.

### **THE CITY**

The City was incorporated as a general law city on January 16, 1886 and is the county seat of the Glenn County. The City is located in the northern part of the California's Central Valley approximately halfway between the cities of Sacramento and Redding. The City encompasses an area of approximately 2.9 square miles and has a current population of approximately 6,200 residents. The City is a home to regional government offices of the California Highway Patrol, the California Department of Motor Vehicles, the United States Bureau of Reclamation and the main offices of the Mendocino National Forest, which comprises about one million acres of Federal land located mostly in mountainous terrain west of Willows. The City provides a full range of municipal services to its citizens including a public library, public safety, public works, planning and building regulation, recreation and parks, and sewer services.

Policy-making and legislative authority are vested in the City Council of the City consisting of a Mayor, Vice Mayor and three other elected City Council members. The City Council appoints the City Manager and the City Attorney. The City Manager is responsible for directing, coordinating and carrying out City Council policies.

Members of the Council and key administrative personnel of the City are listed at the front of this Official Statement. For additional information, see APPENDIX E—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY.

### **THE ENTERPRISE**

#### **General**

The City owns the Enterprise, a municipal sewer system that serves the residents and commercial connections within the City limits and residents of the CSD in unincorporated Glenn County. All residents and businesses in the Enterprise's service are required to connect to the Enterprise.

The Enterprise currently serves a total customer base of approximately 7,000 including all residents in the City and all residents in the CSD District. There are approximately 3,000 customer connections to



the Enterprise, of which approximately 90% are residential customers. For additional information about the Enterprise's service area and its customers, see "Service Area and Customers."

The small pipes (typically 4 inches in diameter) that connect homes and businesses to the Enterprise are called service laterals. Each property owner is responsible for the maintenance of the complete service lateral, including the portion of such lateral placed in the public right-of-way or easement.

The wastewater generated by the Enterprise's customers flows from service laterals through the collection system to the City's Wastewater Treatment Plant (the "WWTP"). The WWTP provides tertiary treatment of sanitary wastewater as well as treatment and conditioning of the solids removed. Treated effluent from the WWTP is discharged into the Glenn-Colusa Irrigation District canal or Agriculture Drain C, a tributary to Logan Creek. For additional information about the Enterprise's facilities, see "Enterprise Facilities."

The City's Public Works Department supervises the operation of the Enterprise and the construction and maintenance of the Enterprise's facilities. Day-to-day operation of the WWTP and the Enterprise's collection system is provided by Inframark Water & Infrastructure Services, an independent operator under contract with the City. For additional information about the management of the Enterprise, see "Management and Employees."

On August 12, 2021, the City Council of the City adopted Resolution No. 31-2021 which set a new rate structure for the Enterprise effective as of that date. Prior to that date the Enterprise had operated under a rate structure that had not been updated since 2007. For additional discussion, see "Current Rate Structure."

### **Enterprise Facilities**

*Collection System.* The Enterprise's collection system consists of gravity sewers and pumping stations to collect wastewater from residential and commercial customers. The collected wastewater is discharged to trunk sewers and interceptors owned and operated by the City and conveyed to the WWTP for treatment.

The City maintains five (5) sewer lift stations in the Enterprise's collection system. Each lift station consists of a wet well with two (2) submersible pumps. The wet wells range in depth from 12 feet to 24 feet. Four (4) of the lift stations; Sycamore Street, Pacific Avenue, Lassen Street, and Road 57 are located within the City Limits. One lift station, the Cherry Street Lift Station, is located within the CSD.

*Wastewater Treatment Plant.* The Enterprise's Wastewater Treatment Plant is located at 1600 South Tehama Street, Willows, California. The WWTP was most recently permitted in 2016 under National Pollution Discharge Elimination System (NPDES) Permit No. CA 0078034. The WWTP is a Class IV facility as defined in the California Code of Regulations, Title 23, Division 3, Chapter 26, section 3675.

The WWTP's capacity is 1.2 million gallons per day ("MGD") of average dry weather flow. Current flows to the WWTP average approximately 0.65 MGD.

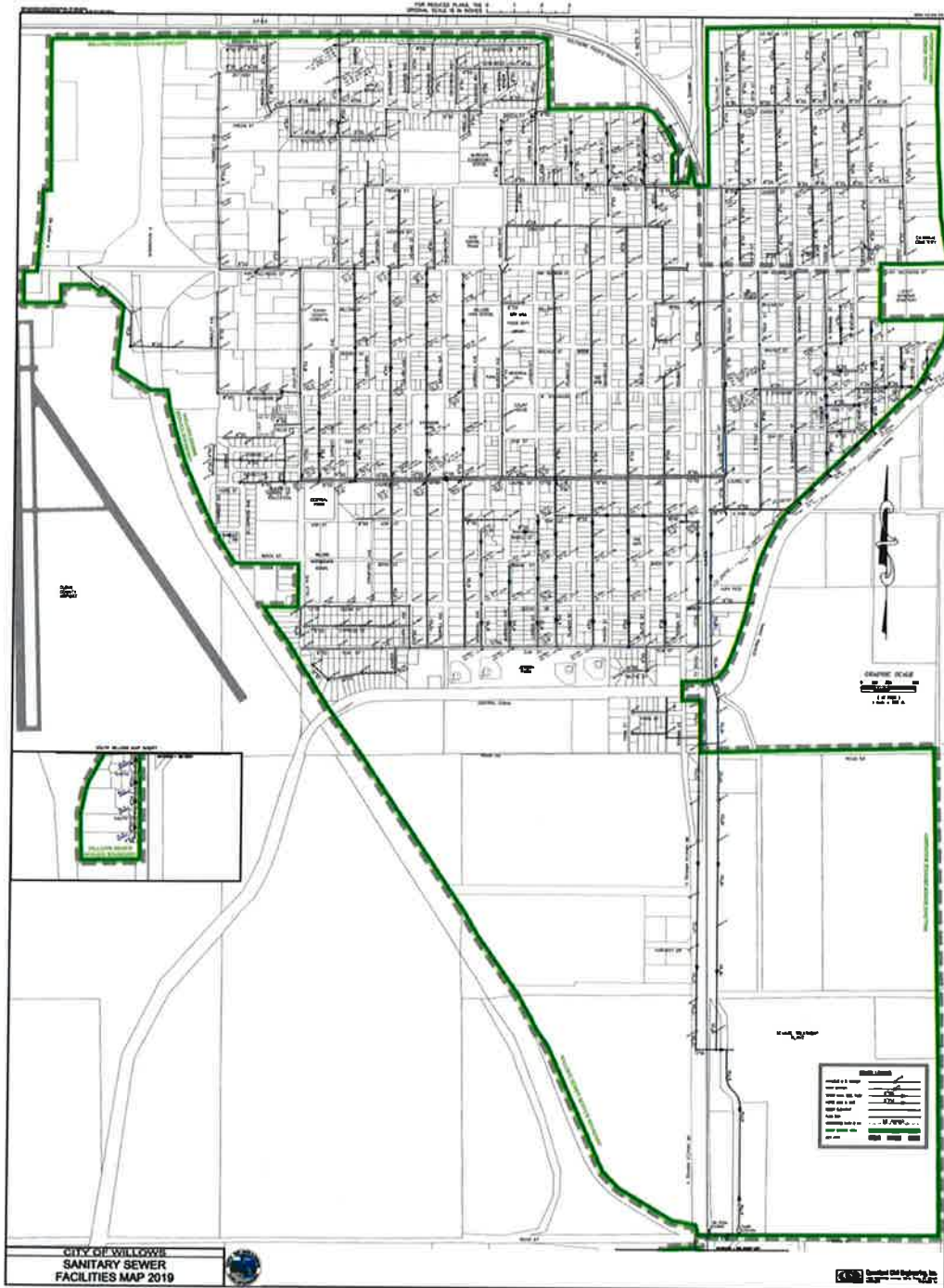
Wastewater treatment at the WWTP consists of influent screening, extended aeration activated sludge with secondary clarifiers, continuous backwash filters, disinfection with sodium hypochlorite,

dechlorination using calcium thiosulfate, equalization and emergency storage ponds, and sludge storage lagoons. Treated effluent from the WWTP is discharged into the Glenn-Colusa Irrigation District canal or Agriculture Drain C, a tributary to Logan Creek. A portion of the recycled wastewater is used by the Glenn-Colusa Irrigation District for agricultural irrigation and the Sacramento National Wildlife Refuge.

The most recent major upgrades to the WWTP were completed in 2007 and were paid for from the proceeds of the 2007 Certificates. The 2007 upgrades included the addition of additional facilities to convert the WWTP's treatment process from secondary to tertiary.

*Map of Enterprise Facilities and Service Area.* The following map showing the locations of the WWTP and the Enterprise's facilities. The Enterprise's service area is outlined below.

### Enterprise Facilities and Service Area Map



Source: City of Willows.

## **Management and Employees**

The City's Public Works Department is responsible for the management and operation of the Enterprise. For fiscal year 2020-21, the City has eleven full-time equivalent ("FTE") employee positions budgeted for the Enterprise with provisions that additional staff support will be charged to the Enterprise on an as needed basis. Overall supervision of the City's Public Works Department is the responsibility of the Public Works Superintendent.

*WWTP Operator.* While the City's Public Works Department supervises the operation of the Enterprise and the construction and maintenance of the Enterprise's facilities, since the upgrades to the WWTP in 2007 the City has contracted with an outside operator to handle the day-to-day operation of the WWTP and the Enterprise's collection system. The City most recently signed a 10-year agreement with Inframark Water & Infrastructure Services (the "WWTP Operator") in October of 2020 to operate the WWTP and the Enterprise's collection system. The WWTP Operator is a standalone infrastructure services company with extensive experience in managing water-related infrastructure for clients in 19 states. The City's 10-year contract with the WWTP Operator includes two optional 5-year extensions.

The City's contract with the WWTP Operator calls for the WWTP Operator to (a) conduct treatment of wastewater influent delivered to the WWTP, (b) perform routine preventive and corrective maintenance of the WWTP and the Enterprise's collection system, (c) repair and replacement of the WWTP and collection system equipment as needed, (d) perform laboratory testing and analysis, and (e) preparation and prompt delivery of all applicable and required filings, including discharge reports, to City and to regulatory agencies.

The City's contract with the WWTP Operator provides for two payments to be made monthly from the City to the WWTP Operator, a base fee and a repair and replacement limit. The base fee accounts for the expenses of operating the WWTP and is adjusted annually with CPI increases of 3% a year. The repair and replacement limit provides the WWTP Operator to perform non-routine repair and/or replacement of major equipment, or to perform specialized services, such as removal and disposal of biosolids. The repair and replacement limit is annually adjusted using the same CPI method used for the base fee. At the end of each contract year, any unused portion of the repair and replacement is returned to the City.

## **Service Area and Customers**

The Enterprise provides wastewater collection and disposal services to all residents and commercial customers within the City limits and within the CSD portion of unincorporated Glenn County. The Enterprise's service area covers an area of approximately 3.17 square miles and serves a population of approximately 7,000 people. All of the residences and businesses residing within the Enterprise's service area are required to connect to the Enterprise. For a map of the Enterprise's service area, see "Enterprise Facilities."

As of June 2021, the Enterprise had 2,527 active customer accounts, of which 90% were residential customers. There are currently no significant industrial users that discharge into the Enterprise.

*Customer Accounts and Revenues by Customer Type.* The following table shows the number of active sewer customer accounts and revenues generated by each type of customer for fiscal year 2020-21.

**Table 1**  
**ENTERPRISE**  
**CUSTOMER ACCOUNTS AND REVENUES BY CUSTOMER TYPE**  
**Fiscal Year 2020-21**

	Number of Accounts	% of Total	Revenues	% of Total
Residential	2,298	90%	\$1,319,205	82%
Commercial	229	10	295,369	18
Total	2,527	100%	\$1,614,574	100%

Source: City of Willows.

*Top 10 Customers by Revenue.* The following table lists the top ten fiscal year 2020-21 rate payers of the Enterprise by revenue, including their type and their percentage of the total fiscal year 2020-21 Enterprise revenues. The top ten rate payers collectively represent 13.77% of the total Enterprise revenues.

**Table 2**  
**ENTERPRISE**  
**TEN LARGEST RATE PAYERS**  
**Fiscal Year 2020-21**

	Customer	Type	Amount of Revenue	% of Total Revenue
1.	The 0312 Ramona Apts LP	Multi-Family	\$ 46,299	2.87%
2.	The 0312 Ramona Apts LP	Multi-Family	40,512	2.51
3.	Hpd Willows Oroville LP	Multi-Family	28,937	1.79
4.	President John F Kennedy	Multi-Family	24,114	1.49
5.	Willows Pacific Assoc	Multi-Family	23,632	1.46
6.	Weiss James J Trust	Multi-Family	22,185	1.37
7.	Willows Apts	Multi-Family	17,362	1.08
8.	Delmar & Laurie Ann Woodward	Multi-Family	7,716	0.48
9.	Thannisch Family Llc	Multi-Family	5,787	0.36
10.	Abelardo Shiraki & Maria Vicencio	Multi-Family	5,787	0.36
	Total Top 10		<u>\$222,331</u>	<u>13.77%</u>

Source: City of Willows.

### Rate Setting Process

The wastewater service charges are established by resolution adopted by a majority vote of the City Council and become effective immediately. Prior to rate increases being implemented they must be presented to the rate payers through a Proposition 218 protest hearing process. This process has been completed for the rate increases that are included in Resolution No. 31-2021 and became effective on August 12, 2021. See "Current Enterprise Rates" and "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES."

Future utility rates and charges will be reviewed as part of the City’s budgetary process. Once results of operations for the various enterprise funds are known, a determination will be made as to whether it is appropriate for rate adjustments to be made. The timing of rate adjustments may or may not coincide with the budget adoption process, but the implications of any rate adjustments will be considered in budget development. The process used to set rates will follow State regulations concerning the operation of local government utilities.

**Current Enterprise Rates**

The rates for the Enterprise are set by the City and are not subject to review by any state or local governmental agency. A sewer rate study, dated June 22, 2021, was completed by NBS at the behest of the City Council of the City. The rate study recommended a new rate structure with annual 12% increases to phase in and account for the current costs to operate the Enterprise, replacing a prior rate structure that had not been updated since 2007. The new rate structure was adopted by the City Council in Resolution No. 31-2021, dated August 12, 2021, and became effective as of that date.

Under the newly adopted rate structure all Enterprise customers are charged a flat fixed service charge based on their customer type. Commercial customers are charged an additional volumetric charge based on flows. The Enterprise also charges a capacity fee for new connections to the Enterprise. The Enterprise’s rate structure is provided in the table below.

**Table 3  
ENTERPRISE  
RATE SCHEDULE**

	Prior Rates <sup>(1)</sup>	Rates Effective As Of July 1,				
		2021 <sup>(2)</sup>	2022	2023	2024	2025
<b>Fixed Service Charge</b>						
Residential – Single Family	\$ 40.19	\$ 47.19	\$ 52.85	\$ 59.19	\$ 66.29	\$ 77.24
Residential – Multi Family	40.19	27.28	30.55	34.22	38.33	42.93
Commercial	40.19	55.69	62.37	69.85	78.23	87.62
<b>Volumetric Charge (\$/hcf<sup>(3)</sup>)</b>						
Car Wash	3.05	2.32	2.60	2.91	3.26	3.65
Hospital & Rest Home	3.17	2.78	3.11	3.48	3.90	4.37
Jail	3.54	3.49	3.91	4.38	4.91	5.50
Laundry	3.42	2.58	2.89	3.24	3.63	4.07
Market & Morgue	3.94	5.65	6.33	7.09	7.94	8.89
Motel & Hotel	3.22	3.01	3.37	3.77	4.22	4.73
Restaurant & Bakery	4.18	6.01	6.79	7.60	8.51	9.53
Other Commercial	3.01	3.49	3.91	4.38	4.91	5.50

Source: City of Willows Resolution No. 31-2021, adopted August 12, 2021.

(1) Prior rates in place from 2007 through August 11, 2021.

(2) Rates became effective August 12, 2021.

(3) HCF is one hundred cubic feet or approximately 748 gallons.

*Rates for the CSD.* The rates adopted in Resolution No. 31-2021 apply only to the Enterprise’s customers located within the City’s limits. The Enterprise’s customers in the CSD are billed according to a rate structure adopted by the board of directors of the CSD. City staff currently expect that the board of

directors of the CSD will adopt a rate structure identical to that contained in Resolution No. 31-2021 in 2022. Billings for the CSD will begin in July 2022.

### **Billing and Collection of Enterprise Charges**

*Billing Procedures.* Each year the City transmits its Enterprise service charges to the County Treasurer-Tax Collector for collection on the County property tax roll. The property tax billings are due in two equal installments, on November 1st (considered delinquent if unpaid by December 10th), and February 1st (considered delinquent if unpaid by April 10th). The City generally receives the first and second installments from the County in December and April, respectively, with final reconciliation payments in June and July.

The Enterprise's customers in the CSD are billed directly by the CSD. The CSD remits payment to the Enterprise on a monthly basis.

*Delinquent Charges.* The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, each taxing entity receives 100% of the taxes and assessments levied, without regard to delinquencies.

The City's Enterprise rates and charges are currently covered under the County's Teeter Plan. *However, there can be no assurance that the County will not choose to discontinue the Teeter Plan in the future, or modify its Teeter Plan to exclude or limit the coverage for sanitary districts, or choose to remove the District from its Teeter Plan coverage. At the date of this Official Statement, no such discontinuation or removal is under consideration.*

*No Information Regarding Delinquencies.* No information is available from the County regarding actual delinquency rates. All enforcement and collection is handled by the County. The City has no independent procedure for enforcing the collection of its rates and charges.

## **ENTERPRISE FINANCIAL INFORMATION**

### **Financial Statements**

APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020, includes the audited financial statements of the City (the "Financial Statements") for Fiscal Year 2019-20, which include financial statements for the Enterprise, prepared by the City's Finance Department and audited by Marcello & Company, Granite Bay, California (the "Auditor").

The Auditor's letter concludes that the Financial Statements present fairly, in all material respects, the financial position of the City as of June 30, 2020, and the results of its operations and the cash flows of its proprietary fund type for the Fiscal Year then ended in conformity with accounting principles generally accepted in the United States of America. The Financial Statements should be read in their entirety. The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-

audit review of the financial condition or operations of the City. In addition, the Auditor has not reviewed this Official Statement.

### **Enterprise Accounting**

The Enterprise is accounted for as a pair of proprietary funds, a maintenance fund and a construction fund (together, the “Sewer Funds”) with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The City uses the accrual basis of accounting for its “proprietary funds,” including the Sewer Funds. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. All assets and liabilities for these funds are included on the balance sheet with this measurement focus. Fund equity (i.e., net total assets) is segregated into restricted, unrestricted and net investment in capital assets.

See APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020 for a more complete summary of the City’s accounting policies.



## Enterprise Financial Statements

*Statement of Net Position.* The following table present the Sewer Funds Statement of Net Position from the City's audited financial statements for the four most recent fiscal years. [WE SHOULD SHOW UNAUDITED 2021]

**Table 4**  
**SEWER FUNDS**  
**STATEMENT OF NET POSITION**

	Fiscal Year Ending June 30,			
	2017 Audited	2018 Audited	2019 Audited	2020 Audited
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 1,473,021	\$ 1,289,630	\$ 1,002,349	\$ 772,404
Receivables	211,479	171,493	170,886	41,281
Noncurrent assets:				
Non-depreciable capital assets	-	-	-	262,686
Depreciable capital assets	10,130,691	9,872,693	9,698,705	9,303,516
Total Assets	11,815,191	11,333,816	10,871,940	10,379,887
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension contributions	191,931	223,528	174,165	161,149
Total Deferred Outflows of Resources	191,931	223,528	174,165	161,149
<b>LIABILITIES</b>				
Current liabilities:				
Payables	198,408	275,245	251,034	98,270
Noncurrent liabilities:				
Long-term debt, due in one year	106,000	110,000	114,000	122,342
Long-term debt, due after one year	6,682,712	6,754,078	6,607,021	6,669,588
Total Liabilities	6,983,120	7,139,323	6,972,055	6,890,200
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	31,861	3,628	78,456	91,755
Total Deferred Inflows of Resources	31,861	3,628	78,456	91,755
<b>NET POSITION</b>				
Net investment in capital assets	4,090,691	3,938,693	3,874,705	3,599,317
Restricted	897,450	475,700	120,890	-
Unrestricted	-	-	-	(40,236)
Total Net Position	4,988,141	4,414,393	3,995,595	3,559,081

Source: City of Willows Audited Financial Statements for Fiscal Years 2016-17 through 2019-20.

## **Financial Policies**

*Reserve Policy.* The City's Reserve Policy was most recently updated on April 13, 2021 and sets a goal of 25% of General Fund annual operating expenditures (minus one-time expenditures) that is comprised of a catastrophic reserve (15%) and a budget stabilization reserve (10%). The Sewer Funds currently meet the minimum City reserve policy requirements for the City's General Fund.

*Investment Policy.* The investment of funds of the City (except pension and retirement funds) is made in accordance with the City's Investment Policy, most recently approved June 28, 2020 (the "Investment Policy"), prepared by the City Administrative Services Director as authorized by section 53601 of the Government Code of California. The Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made. Invested funds are managed to ensure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, operating funds may not be invested in any investment with a maturity greater than five years.

*Debt Management Policy.* In accordance with section 8855(i) of the California Government Code the City adopted a debt management policy on September 8, 2020, to establish conditions for the use of debt; to ensure that debt capacity and affordability are adequately considered; to minimize the City's interest and issuance costs; to maintain the highest possible credit rating; to provide complete financial disclosure and reporting; and to maintain financial flexibility for the City.

*Pension Funding Policy.* The City adopted a Pension Funding Policy on January 26, 2021. The City's Pension Funding Policy affirms the City's commitment to always make its required annual contribution to CalPERS. The City's Pension Funding Policy allows the City to make additional discretionary contributions directly to CalPERS, consider establishing a pension stabilization trust, and issue, call or refund pension obligation bonds if savings are expected.

## **No Material Impact of COVID-19 Pandemic on the Enterprise**

The Enterprise has, to date, not experienced material negative impacts to its finances or operations caused by the COVID-19 Pandemic. A majority of the Enterprise's operating revenues consist of sewer service charges billed on the property tax roll and collected on behalf of the City by the County. The City is entitled to complete collection of its sewer service charges from the County due to the County's participation in the Teeter Program.

## **Outstanding Enterprise Obligations**

Other than the 2007 Certificates to be refunded from a portion of the proceeds of the Certificates, the City has no obligation secured by Gross Revenues and payable from Net Revenues.

## **Historical and Projected Operating Results and Debt Service Coverage**

The following two tables provide a history and projection of the revenues and expenses of the Enterprise for the previous five and next five fiscal years, respectively.

The following table presents the Historical Summary of Operating Revenues, Operating Expenses and Debt Service Coverage for the Enterprise for the past five fiscal years. Data for fiscal years 2016-17 through 2019-20 are based on figures from the City's Audited Financial Statements. The fiscal year 2020-21 data is based on unaudited actuals provided by the City's Finance Department.

*Historical Results and Prior Rates.* Prior to August 12, 2021 the Enterprise had operated under a rate structure that had not been updated since 2007. On August 12, 2021 the City Council of the City adopted Resolution No. 31-2021 which set a new rate structure effective as of that date. For additional information, see "Current Enterprise Rates."

**Table 5**  
**ENTERPRISE**  
**HISTORICAL SUMMARY OF OPERATING REVENUES,**  
**OPERATING EXPENSES AND DEBT SERVICE COVERAGE**

	Fiscal Year Ended June 30,				
	2017	2018	2019	2020	2021
<b>GROSS REVENUES<sup>(1)</sup></b>					
Charges for Services	\$1,574,130	\$1,548,216	\$1,579,265	\$1,450,166	\$1,614,573
Other revenues	35,369	15,629	26,708	7,252	5,000
<b>Total Gross Revenues</b>	<u>1,609,499</u>	<u>1,563,845</u>	<u>1,605,973</u>	<u>1,457,418</u>	<u>1,619,573</u>
<b>O&amp;M COSTS<sup>(1)(2)</sup></b>					
Salaries and benefits	387,406	395,493	377,111	313,993	280,318
Other operating expenses <sup>(3)</sup>	917,919	1,140,994	1,050,822	1,033,442	943,732
<b>Total O&amp;M Costs</b>	<u>1,305,325</u>	<u>1,536,487</u>	<u>1,427,933</u>	<u>1,347,435</u>	<u>1,224,050</u>
<b>NET REVENUES AVAILABLE FOR DEBT SERVICE</b>	<u>304,174</u>	<u>27,358</u>	<u>178,040</u>	<u>109,983</u>	<u>395,523</u>
<b>DEBT SERVICE</b>					
2007 Certificates	352,233	352,964	352,507	351,771	349,962
<b>Total Debt Service</b>	<u>352,233</u>	<u>352,964</u>	<u>352,507</u>	<u>351,771</u>	<u>349,962</u>
<b>DEBT SERVICE COVERAGE<sup>(4)</sup></b>	0.86x	0.08x	0.51x	0.31x	1.13x
<b>NET REVENUES AFTER DEBT SERVICE</b>	(48,059)	(325,606)	(174,467)	(241,788)	45,561
<b>SURPLUS REVENUES</b>	—	—	—	—	45,561

Source: City of Willows Finance Department.

- (1) FY2017-20 operating revenues and operating expenses are based on figures from the City's audited financial statements for those years. The fiscal year 2020-21 data consists of unaudited data provided by the City's Finance Department.
- (2) Does not include depreciation or GASB 68 pension impacts, both of which are non-cash items.
- (3) Includes payments to WWTP Operator.
- (4) The debt service coverage in fiscal years 2016-17 through 2020-21 was below its required 1.20x debt service requirement but debt service was paid from City reserves.

The following table presents the Projected Summary of Operating Revenues, Operating Expenses and Debt Service Coverage for the Enterprise for the fiscal years 2021-22 through 2025-26 based upon the Enterprise's new rate structure and certain assumptions which the City believes are reasonable. However, the City cannot guarantee that its actual results will not differ.

**Table 6**  
**ENTERPRISE**  
**PROJECTED OPERATING REVENUES,**  
**OPERATING EXPENSES AND DEBT SERVICE COVERAGE**

	Fiscal Year Ending June 30,				
	2022 <sup>(1)</sup>	2023	2024	2025	2026
<b>GROSS REVENUES</b>					
Charges for Services <sup>(2)</sup>	\$1,809,734	\$2,031,970	\$2,281,496	\$2,561,663	\$2,876,235
Other revenues	28,500	24,104	21,533	20,890	21,905
<b>Total Gross Revenues</b>	<b>1,838,234</b>	<b>2,056,074</b>	<b>2,303,028</b>	<b>2,582,533</b>	<b>2,898,140</b>
<b>O&amp;M COSTS<sup>(3)</sup></b>					
Salaries and benefits	331,933	343,588	355,660	368,165	381,119
Other operating expenses <sup>(4)</sup>	1,169,584	1,203,847	1,239,162	1,275,563	1,313,085
<b>Total O&amp;M Costs</b>	<b>1,501,517</b>	<b>1,547,435</b>	<b>1,594,822</b>	<b>1,643,728</b>	<b>1,694,204</b>
<b>NET REVENUES AVAILABLE FOR DEBT SERVICE</b>	<b>336,717</b>	<b>508,639</b>	<b>708,206</b>	<b>938,805</b>	<b>1,203,936</b>
<b>DEBT SERVICE</b>					
2007 Certificates	239,314	—	—	—	—
2021 Certificates <sup>(5)</sup>	—	336,225	466,525	478,725	495,025
<b>Total Debt Service<sup>(5)</sup></b>	<b>239,314</b>	<b>336,225</b>	<b>466,525</b>	<b>478,725</b>	<b>495,025</b>
<b>DEBT SERVICE COVERAGE<sup>(5)</sup></b>	<b>1.41x</b>	<b>1.51x</b>	<b>1.52x</b>	<b>1.96x</b>	<b>2.43x</b>
<b>NET REVENUES AFTER DEBT SERVICE</b>	<b>97,403</b>	<b>172,414</b>	<b>241,681</b>	<b>460,080</b>	<b>708,911</b>

Source: City of Willows.

- (1) Based on 1.5 months of charges at the prior rates and 10.5 months of charges at the new rates which became effective August 12, 2021. For additional information, see "Current Enterprise Rates."
- (2) Assumes rate increases in according with Resolution No. 31-2021, adopted August 12, 2021.
- (3) Does not include depreciation or GASB 68 pension impacts, both of which are non-cash items.
- (4) Includes payments to WWTP Operator.
- (5) Preliminary, subject to change. Reflects capitalized interest through April 1, 2022.

### Historical and Planned Capital Improvements

For the five most recent fiscal years capital improvements in the amount of \$262,585 were completed from excess revenues of the Enterprise and from the Sewer Funds balances.

In addition to the 2021 Project financed from a portion of the proceeds of the Certificates, the City expects to spend limited amounts in capital projects for the Enterprise over the next five fiscal years which is expected to be funded on a pay-as-you go basis from surplus revenues of the Enterprise and from the Sewer Funds balances.

### Risk Management

The City, along with 20 other northern California cities, is a member of the Northern California Cities Self Insurance Fund Joint Powers Authority (the "Insurance Authority") for workers'

compensation, liability and casualty insurance purposes. Each member city has a representative on the Insurance Authority's Board of Directors.

Annual deposits are paid by member cities and are adjusted retrospectively to cover costs. Each member city, including Willows, self-insures for the first \$50,000 of each loss for liability and \$100,000 for workers' compensation. Participating cities share in loss occurrences in excess up to \$500,000. For fiscal year 2019-20 the Insurance Authority purchased \$39,500,000 in excess coverage for liability and \$4,500,000 in workers compensation, per occurrence. Specific coverage includes comprehensive and general liability, personal injury, casualty, contractual liability, errors and omissions, and auto liability.

### Employee Pension Plans

*The information set forth below regarding the California Public Employees' Retirement System ("CalPERS") program, other than the information provided by the City regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not be construed as a representation by either the City or the Underwriter.*

The Enterprise pays an allocable portion of the City's administrative expenses, including employee compensation and benefits from revenues of the Enterprise. The table below shows the City's contribution to the CalPERS plans (discussed below), and the amounts allocated to the Enterprise for the years shown:

**Table 7**  
**CITY OF WILLOWS**  
**CONTRIBUTION TO CALPERS PLANS AND ALLOCATION TO ENTERPRISE**

Fiscal Year Ended June 30,	City Contribution To CalPERS	Amount Allocated	
		To the Enterprise	Allocation %
2017	\$639,429	\$61,212	9.57%
2018	615,648	66,100	10.74
2019	683,036	72,176	10.57
2020	763,969	73,334	9.60

Source: City of Willows.

*Plan Description.* All qualified permanent and probationary employees are eligible to participate in the City's Safety Plan (police and fire) and Miscellaneous Plan (all others) (collectively, the "Plans"), agent multiple employer defined benefit pension plans administered by the CalPERS, which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

*Benefits Provided.* CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1959 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

*2021 Pension Bonds.* On May 27, 2021, the City issued its \$8,510,000 City of Willows Taxable Pension Obligation Bonds, Series 2021 (the “2021 Pension Bonds”), the proceeds of which were used to pay \$8,284,000 to CalPERS to fund 100% of the City’s then existing Unfunded Liability for the City’s Miscellaneous and Safety Plans.

With respect to any future new Unfunded Liability (or any Unfunded Liability relating to its PEPPRA plans) the City could choose to pay it in installments when due to CalPERS, to pay additional amounts earlier than required from City funds, to issue additional pension obligation bonds or a combination of those options. Failure by CalPERS to achieve its target investment returns, adjustments to the target rate of return, departures from actuarial assumptions such as mortality, or certain future amendments to the CalPERS Contract which add additional value to any of the plans in which the City participates could also generate additional Unfunded Liability for the City (which could be paid as described in the foregoing sentence).

For information concerning the City’s pension obligations, including descriptions of the actuarial methods and assumptions, and an explanation of the discount rate used, please see APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020, Note 10.

#### **Other Post-Employment Benefits**

*Plan Description.* The City administers a single employer defined benefit healthcare plan (the “Plan”). As of January 1, 2018, the City has participated in the California State Association of Counties Excess Insurance Authority, a small group health benefits plan. Effective July 1, 2017, employees must self-pay the entire cost of premiums during retirement. Employees are eligible to remain on the City health plan if they retire directly from the City via service retirement or through industrial disability.

The Enterprise pays an allocable portion of the City’s OPEB expenses from Net Revenues of the Enterprise.

*Employees Covered.* Membership of the plan consisted of 5 retirees and beneficiaries receiving benefits, 0 inactive members entitled to but not yet receiving benefits and 17 active plan members at June 30, 2019, the date of the latest actuarial valuation.

*Changes In Net OPEB Liability.* The following table shows the changes in the City's net OPEB obligation to the Plan:

**TABLE 8**  
**CITY OF WILLOWS**  
**CHANGE IN NET OPEB LIABILITY**  
**Fiscal Year 2019-20**

Service cost	\$ 3,405
Interest on OPEB liability	3,739
Dif. btw. actual and expected experience	-
Changes in assumptions	5,536
Benefits payments	<u>(8,994)</u>
Net changes	3,686
Net OPEB obligation, beginning of the year	<u>120,513</u>
Net OPEB obligation, end of the year	<u>\$124,199</u>

Source: City of Willows 2019-20 Audited Financial Statements.

The following table shows a 3-year history of the City's outstanding OPEB obligation and covered payroll.

**TABLE 9**  
**CITY OF WILLOWS**  
**HISTORIC OPEB LIABILITY AND COVERED PAYROLL**

Fiscal Year Ending June 30,	Net OPEB Obligation (UAAL)	Covered Payroll	Ratio of UAAL to Covered Payroll
2018	\$ 120,457	\$ 683,036	17.64%
2019	120,513	763,969	15.77
2020	124,199	951,295	13.06

Source: City of Willows 2018-20 Audited Financial Statements.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

For information concerning the City's OPEB obligations, including descriptions of the actuarial methods and assumptions, please see APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020, Note 11.

## **INVESTMENT OF CITY FUNDS**

Revenues collected by the City will be held and invested by the City in accordance with the provisions of the Trust Agreement.

Funds held by the City, including Enterprise moneys, are invested in accordance with the City's Statement of Investment Policy (the "Investment Policy") prepared by the City Treasurer as authorized by section 53601 of the California Government Code. The Investment Policy is submitted to the City Council annually. The Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity and rating which vary with each security type. The composition of the portfolio will change over time as old investments mature, or are sold, and as new investments are made. Invested funds are managed to insure preservation of capital through high quality investments, maintenance of liquidity and then yield. Further, operating funds may not be invested in any investment with a maturity greater than five years. The City has never invested in derivatives or reverse repurchase agreements and such investments and instruments are not allowed by City policy.

For more information about the City's investment policy, see APPENDIX C—CITY INVESTMENT POLICY.

## **CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES**

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. In the past, the voters have exercised this power from time to time, including through the adoption of Propositions 13 and 218.

From time to time other State and local initiative measures could be adopted, affecting the ability of the City to increase revenues and to increase appropriations.

### **Article XIII A**

On June 6, 1978, California voters approved Proposition 13, which added Article XIII A to the California Constitution ("Article XIII A"). Article XIII A limits the maximum ad valorem tax on real property to 1% of full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by voters prior to July 1, 1978 and (as a result of an amendment to Article XIII A approved by California voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIII A defines full cash value to mean "the County Assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the full cash value based in the event of declining property values caused by damage, destruction, or other factors and to provide that there would be no increase in the full cash value base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.



## Article XIII B

Article XIII B of the California State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The "base year" for establishing such appropriations limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if (i) the financial responsibility for a service is transferred to another public entity or to a private entity, (ii) the financial sources for the provision of services is transferred from taxes to other revenues, or (iii) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations subject to Article XIII B generally include the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions and refunds of taxes. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from (i) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Certain expenditures are excluded from the appropriations limit including payments of indebtedness existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters and payments required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

## Proposition 218

*General.* On November 5, 1996, California voters approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related "fee" or "charge," which is defined as "any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service" (and referred to in this section as a "property-related fee or charge").

Specifically, under Article XIII D, before a municipality may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The municipality must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the municipality may not impose or increase the property-related fee or charge.

Further, under Article XIII D, revenues derived from a property-related fee or charge may not exceed the funds required to provide the "property-related service" and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no

property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

In addition, Article XIII C provides that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

*Judicial Interpretation of Proposition 218.* After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General opinion initially indicated that fees and charges levied for water and sewer services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIII D regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three recent cases have held that certain types of water and sewer charges could be subject to the requirements of Proposition 218 under certain circumstances.

In *Richmond v. Shasta Community Services District* (9 Cal. Rptr. 3rd 121), the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIII D to certain charges related to water service. In *Richmond*, the Court held that connection charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIII D.

In *Howard Jarvis Taxpayers Association v. City of Yuba* (March 23, 2005), the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIII D before imposing or increasing such fees. The California Supreme Court denied the City of Yuba’s petition for review of the Court of Appeal’s decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (39 Cal. 4th 205), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency’s rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency’s charges for ongoing water delivery are “fees and charges” within the meaning of Article XIII D, and went on to hold that charges for ongoing water delivery are also “fees” within the meaning of Article XIII C’s mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIII C authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency’s water rates and other water charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIII C and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was not determining whether the electorate’s initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating

expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

*Current Practice Regarding Rates and Charges.* The City's practice has been to provide public notice of proposed water rate increases through means that include, among others, holding informational presentations at community group meetings, mailings to residential and commercial customers of public hearings on rate increases, and press releases and media campaigns regarding rate increases, followed by public hearings conducted by the City Council. The most recent rate increase was enacted by the City in strict compliance with the procedures mandated by Proposition 218 and *Bighorn*.

*Conclusion.* It is not possible to predict how courts will further interpret Article XIII C and Article XIII D in future judicial decisions, and what, if any, further implementing legislation will be enacted. Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the City's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness. There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIII C and Article XIII D to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for sewer, or to call into question previously adopted sewer rate increases.

#### **Effect of Proposition 218 on the City; Possible Limitations on Enforcement Remedies.**

The general financial condition of the City may be affected by provisions of Article XIII C and Article XIII D. In particular, provisions of Article XIII C (i) require taxes for general governmental purposes to be approved by a majority vote and taxes for specific purposes, even if deposited into the General Fund, to be approved by two-thirds vote, (ii) require any general purpose tax which the City imposed, extended or increased, without voter approval, after December 31, 1994, to be approved by majority vote on November 5, 1998 and (iii) provide that all taxes, assessments, fees and charges are subject to reduction or repeal at any time through the initiative process, subject to overriding constitutional principles relating to the impairment of contracts. Provisions of Article XIII D that affect the ability of the City to fund certain services or programs that it may be required or choose to fund include (i) adding notice, hearing, protest and, in some cases, voter approval requirements to impose, increase or extend certain assessments, fees and charges and (ii) adding stricter requirements for finding individualized benefits associated with such levies.

The ability of the City to comply with its covenants under the Installment Sale Agreement and to generate Net Revenues sufficient to pay the Installment Payments and, therefore, the principal of and interest on the Certificates may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) under Article XIII C or Article XIII D by voters, property owners, taxpayers or payers of assessments, fees and charges. Furthermore, any remedies available to the owners of the Certificates upon the occurrence of an event of default under the Installment Sale Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. In addition to the possible limitations on the ability of the City to comply with its covenants under the Installment Sale Agreement, the rights and obligations under the Certificates and the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California.

Based on the foregoing, in the event the City fails to comply with its covenants under the Installment Sale Agreement, including its covenants to generate sufficient Net Revenues, as a consequence of the application of Article XIII C and Article XIII D, or to pay principal of or interest on the Certificates, there can be no assurance that available remedies will be adequate to fully protect the interests of the holders of the Certificates.

### **Proposition 26**

On November 2, 2010, State voters approved Proposition 26 which amended certain sections of Article XIII C. The proposition attempts to define "tax" as used within Article XIII C as "any levy, charge, or exaction of any kind imposed by a local government, except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D." The local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

The foregoing discussion of Proposition 218 and Proposition 26 should not be considered an exhaustive or authoritative treatment of the provisions of such propositions or the possible effects of Proposition 218 and Proposition 26. Interim rulings, final decisions, legislative proposals and legislative enactments affecting Proposition 218 and Proposition 26 may impact the City's ability to make debt service payments on the Certificates. The City does not expect to be in a position to control the consideration or disposition of these issues and cannot predict the timing or outcome of any judicial or legislative activity related to these issues.

### **Future Initiatives**

Articles XIII C, XIII D and Proposition 26 were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time-to-time other initiatives could be proposed and adopted affecting Net Revenues or the City's ability to increase its rates for water service. See "Proposition 218" above. The California constitution, Article XIII D, Section 5(c), specifically recognizes that any assessment existing on the effective date (of Article XIII D) shall be exempt from the procedures and approval process set forth in Article 4, to wit: "... (c) Any assessment the proceeds of which are exclusively used to repay bonded indebtedness of which the failure to pay would violate the Contract Impairment Clause of the Constitution of the United States."

## **RISK FACTORS RELATING TO THE CERTIFICATES**

*The following section describes certain special considerations and risk factors affecting the risk of nonpayment or the security for the Certificates. The following discussion is not meant to be an exhaustive or definitive description of the risks associated with a purchase of the Certificates and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following special factors regarding the Certificates, together with all other information in this Official Statement, in order to make an informed investment decision with respect to the Certificates. There can be no assurance that other risk factors are not or will not become material in the future.*

### **General**

Payment of principal and interest with respect to the Certificates depends primarily upon the revenues derived from operation of the Enterprise. Some of the events which could affect the revenues received by the Enterprise are set forth below. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Certificates and the order in which the risks are discussed does not necessarily reflect the relative importance of the various risks.

### **Limited Obligations**

The Installment Payments are special, limited obligations of the Enterprise. The Certificates shall not be deemed to constitute a debt or liability of the Enterprise, the City, the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory provision, or a pledge of the faith and credit of the Enterprise, the City, the State of California or of any political subdivision thereof, but shall be payable, except to the extent of certain amounts held under the Installment Sale Agreement pledged therefor, solely from Net Revenues. Neither the faith and credit nor the taxing power of the City, the State of California or of any political subdivision thereof is pledged to the payment of principal and interest with respect to the Certificates. The Certificates shall not directly or indirectly or contingently obligate the City, the State of California or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment. The Enterprise has no taxing power.

### **Demand and Usage**

There can be no assurance that the local demand for services provided by the Enterprise will continue according to historical levels. Reductions in the level of demand could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the City's rate covenant in the Installment Sale Agreement. There can be no assurance that any other entity with regulatory authority over the Enterprise will not adopt further restrictions on operation of the Enterprise.

### **Climate Change**

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves and raising sea levels. The future fiscal impact of climate change on the Enterprise is difficult to predict but it could be significant and it could have

a material adverse effect on the Enterprise's finances by requiring greater expenditures to counteract the effects of climate change or by changing the business and activities of Enterprise customers. While the Enterprise has plans in place to mitigate the foreseeable effects of future climate change, no assurance can be given that such plans will be sufficient and future climate change could have unpredictable material adverse effects on the Enterprise's finances. No climate change studies have been performed.

### **Enterprise Expenses**

There can be no assurance that the City's expenses for the Enterprise will be consistent with the descriptions in this Official Statement. Changes in technology, changes in quality standards, loss of large customers, increased or decreased development, increases in the cost of operation, or other expenses could require increases in rates or charges in order to comply with the City's rate covenant in the Installment Sale Agreement. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES."

### **Physical Condition of Enterprise Facilities/Operation and Maintenance Costs**

The reliability of the Enterprise is affected by a number of factors including physical and operational vulnerabilities of their facilities. Certain Enterprise facilities are near the end of their useful life. Long-lived facilities result in decreased reliability due to unplanned outages and place a greater maintenance burden on operations. The City budgets for the maintenance and operations of its facilities; however, the City gives no assurance that any future significant diminished physical status of its facilities would not materially adversely affect the operations of the Enterprise. Partial or complete failure of components of the Enterprise could cause a material increase in costs for repairs or a corresponding material adverse impact on the Net Revenues.

There can be no assurance that the City's expenses for the Enterprise will be consistent with the descriptions in this Official Statement. Changes in technology, changes in quality standards, loss of large customers, increased or decreased development, increases in the cost of operation, or other expenses could require increases in rates or charges in order to comply with the City's rate covenant in the Installment Sale Agreement.

### **Limited Recourse on Default**

Failure by the City to make the Installment Payments constitutes an event of default under the Installment Sale Agreement and the Trustee, as assignee, is permitted to pursue remedies at law or in equity to enforce the City's obligation to make such payments. Although the Trustee has the right to accelerate the total unpaid principal amount of the Certificates, there is no assurance that the City would have sufficient funds to pay the accelerated amounts. See also "Proposition 218" above.

### **Limitations on Remedies**

The ability of the City to comply with its covenants under the Installment Sale Agreement and to generate Net Revenues sufficient to pay principal and interest with respect to the Certificates may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES—Articles XIII C and XIII D." Furthermore, the remedies available to the owners of the Certificates upon the occurrence of an event of default under the Installment Sale Agreement are in many respects dependent

upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Installment Sale Agreement, the rights and obligations under the Installment Sale Agreement may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. The opinions to be delivered by Special Counsel concurrently with the delivery of the Certificates will be subject to such limitations and the various other legal opinions to be delivered concurrently with the delivery of the Certificates will be similarly qualified. See APPENDIX F—FORM OF OPINION OF SPECIAL COUNSEL. If the City fails to comply with its covenants in the Installment Sale Agreement or fails to pay the Installment Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the Certificates.

### **Rate Process**

The passage of Proposition 218 by the California electorate potentially affects the City's ability to impose future rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition under Proposition 218. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES—Proposition 218" and "—Effect of Proposition 218 and of Possible General Limitations on Enforcement Remedies."

### **Initiatives**

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. There is no assurance that the electorate or the State legislature will not at some future time approve additional limitations which could affect the ability of the City to implement rate increases which could reduce Net Revenues and adversely affect the security for the Certificates. See "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND FEES—Articles XIIC and XIID."

### **Bankruptcy**

The rights and remedies provided in the Installment Sale Agreement may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to the Certificates and the Installment Sale Agreement, including the opinion of Special Counsel, will be similarly qualified. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Certificates and the City could be prohibited from taking any steps to enforce their rights under the Installment Sale Agreement.

### **Tax Exemption**

The City has covenanted in the Installment Sale Agreement that it will take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates. See "TAX MATTERS."

## **Additional Obligations**

The Installment Sale Agreement permits obligations secured by Net Revenues on a parity basis or a subordinate basis to the Installment Sale Agreement. Such additional obligations would increase debt service payable from Net Revenues and, in the case of obligations issued or incurred on a parity basis, could adversely affect debt service coverage with respect to the Certificates. In such event, however, the Rate Covenant will remain in effect. See “SOURCE OF PAYMENT FOR THE CERTIFICATES —Rate Covenant.”

## **Environmental Regulations**

The kind and degree of wastewater treated and discharged by the Enterprise is regulated, to a large extent, by the federal government and the State of California. Treatment standards set forth in federal and state law control the operations of the Enterprise and mandate its use of technology. In the event that the federal government, acting through the Environmental Protection Agency, or the State of California, acting through the Department of Health Services, or additional federal or state legislation, should impose stricter Sewer quality standards upon the Enterprise, the City’s expenses could increase accordingly and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction federal or state regulation will take with respect to drinking Sewer quality standards, although it is likely that both will impose more stringent standards with attendant higher costs.

## **Natural Disasters**

Any natural disaster or other physical calamity, including earthquake, may have the effect of reducing Net Revenues through damage to the Enterprise and/or adversely affecting the economy of the surrounding area. The Installment Sale Agreement requires the City to maintain insurance or self-insurance, but only if and to the extent available from responsible insurers at reasonable rates. In the event of material damage to Enterprise facilities, there can be no assurance that insurance proceeds will be adequate to repair or replace such facilities.

*Seismic.* Like most regions in California, the City is in an area of significant seismic activity. Soils in lowland areas away from major faults may also be unable to support buildings during major earthquakes. Landslides are likely on hillsides during major earthquakes. Damage resulting from such an event could have a material adverse effect on the Enterprise’s financial condition as well, through unexpected recovery costs and reduced revenues.

*Flood.* Like most of the State, the City is subject to unpredictable seasonal rainfall, with periods of intense and sustained precipitation occurring every few years. Certain of the areas on the northern and western sides of the City adjacent and in close proximity to irrigation canals are classified by FEMA as being in AH and AE high flood risk zones within the 100-year flood plain. Property owners in AH and AE flood risk zones who have federally backed mortgages are required to purchase flood insurance as a condition of that loan. The majority of the City, including the City’s central business district, is not located in the 100-year floodplain. FEMA flood maps can be viewed at the FEMA Flood Map Service Center at <https://msc.fema.gov/portal/home>. Such website is not incorporated herein by this reference.

*Wildfire.* In recent years, wildfires have caused extensive damage to cities throughout the State. In some instances, entire neighborhoods have been destroyed. Areas effected by wildfires may be more prone



to flooding and mudslides. In addition to the direct impact of wildfires on health and safety and property damage, the smoke from wildfires has negatively impacted the quality of life in the City and may have short-term and future impacts on residential and commercial activity in the City.

Recent wildfires in the State have been driven in large measure by drought conditions and low humidity. Experts expect that California will continue to be subject to wildfire conditions as a result in changing weather patterns due to climate change.

In August of 2020 the County and areas to the north of the City were effected by the August Complex, a series of fires started by lightning strikes. The August Complex burned areas in, in Glenn, Lake, Mendocino, Tehama, Trinity, and Shasta Counties, primarily within the Mendocino National Forest, with portions spilling over to the Shasta-Trinity National Forest and Six Rivers National Forest as well as private land surrounding the forests. The August Complex effected an area of approximately 1,000,000 acres (1,600 square miles) across Northern California, making it the largest wildfire in the history of the State. Due to the remote location of the August Complex fire, there were no civilian fatalities. Approximately 935 structures were reported destroyed.

While the City is not in a wildfire severity zone and the City believes the possibility of wildfire damage within the City is low, there can be no assurances that wildfires will not occur within the City or the region or that the City will not be negatively impacted by sustained smoky conditions caused by wildfires. Damage resulting from such an event could have a material adverse effect on the Enterprise's financial condition as well, through unexpected recovery costs and reduced revenues.

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **Risks Related to Cyber Security**

The City relies on computers and technology to conduct its operations, including the operations of the Enterprise. The City and its departments face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other forms of technology attacks. The City owns and operates its own enterprise class data network serving the municipal city government and its operations. The City has retained information technology professionals to support, maintain and protect these operations locally in a purpose-built and physically secure environment. This network and its operations are governed by and in compliance with all applicable governmental regulations as well as the City's own administrative regulations. Within the City's operations and guidance is an active cyber-security program designed to protect from, and to quickly identify and mitigate, a multitude of complex security threats. While no network is completely immune from all possible compromise, the City exercises its due diligence in protecting the data it possesses and the systems it operates. To date, there have been no significant cyber-attacks on the City's computers and technologies.

While the City routinely maintains its technology systems and continuously implements new information security controls, no assurances can be given that the City's security and operational control measures will be successful in guarding against all cyber threats and attacks. The results of any attack on the City's computer and technology could negatively impact the City's and the Enterprise's operations, and the costs related to such attacks could be substantial.

### **Pension Benefit Liability**

Many factors influence the amount of the City's pension benefit liabilities, including, without limitation, inflationary factors, changes in statutory provisions of CalPERS retirement system laws, changes in the level of benefits provided or in the contribution rates of the City, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods (including but not limited to the assumed rate of return), and differences between actual and anticipated investment experience of CalPERS. Any of these factors could give rise to additional liability of the City to its pension plans as a result of which the City would be obligated to make additional payments to its pension plans in order to fully fund the City's obligations to its pension plans. It is expected that required contributions to CalPERS will go up in future years.

### **Changes in Law**

There can be no assurance that the electorate of the State will not at some future time adopt additional initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the Enterprise revenues and consequently, having an adverse effect on the security for the Certificates.

### **Risks Relating to the Municipal Bond Insurance Policy**

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the Municipal Bond Insurance Policy for such payments. The Municipal Bond Insurance Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory sinking fund or optional prepayment of the Certificates by the City which is recovered by the City from the Owner as a voidable preference under applicable bankruptcy law is covered by the Municipal Bond Insurance Policy, however, such payments will be made by the Municipal Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the City unless the Municipal Bond Insurer chooses to pay such amounts at an earlier date.

The Municipal Bond Insurer may direct and must consent to any remedies and the Municipal Bond Insurer's consent may be required in connection with amendments to any applicable legal documents.

In the event the Municipal Bond Insurer is unable to make payment of principal and interest as such payments become due under the Municipal Bond Insurance Policy, the Certificates are payable solely from the moneys received pursuant to the applicable legal documents. In the event the Municipal Bond Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

The long-term ratings on the Certificates are dependent in part on the financial strength of the Municipal Bond Insurer and its claim paying ability. The financial strength and claims paying ability of the Municipal Bond Insurer are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Municipal Bond Insurer and of the ratings on the Certificates will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See "RATINGS" herein.

The obligations of the Municipal Bond Insurer are general obligations of the Municipal Bond Insurer and in an event of default by the Municipal Bond Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the City nor the Underwriter has made independent investigation into the claims paying ability of the Municipal Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Municipal Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims paying ability of the Municipal Bond Insurer, particularly over the life of the investment.

## TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Certificates, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest with respect to the Certificates to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest with respect to the Certificates to become includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates.

Subject to the City's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Special Counsel, interest with respect to the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended (the "Code").

Subject to the City compliance with certain covenants, in the opinion of Special Counsel, the Installment Sale Agreement is a "qualified tax exempt obligation" under the small issuer exception provided under section 265(b)(3) of the Code, which affords banks and certain other financial institutions more favorable treatment of their deduction for interest expense than would otherwise be allowed under section 265(b)(2) of the Code.

In rendering its opinion, Special Counsel will rely upon certifications of the City with respect to certain material facts within its knowledge. Special Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Certificates should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Certificates is the price at which a substantial amount of such maturity of the Certificates is first sold to the public. The Issue Price of a maturity of the Certificates may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

Owners of Certificates who dispose of Certificates prior to the stated maturity (whether by sale, redemption or otherwise), purchase Certificates in the initial public offering, but at a price different from the Issue Price, or purchase Certificates subsequent to the initial public offering, should consult their own tax advisors.

If a Certificate is purchased at any time for a price that is less than the Certificate's stated redemption price at maturity (the "Revised Issue Price"), the purchaser will be treated as having purchased a Certificate with market discount subject to the market discount rules of the Internal Revenue Code of 1986, as amended (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Certificate is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases a Certificate for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Certificate. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Certificates.

An investor may purchase a Certificate at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Certificate in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Certificate. Investors who purchase a Certificate at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Certificate's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Certificate.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to Certificates delivered prior to enactment. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal tax legislation. Special Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is

includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Certificates. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Certificate Owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Certificates until the audit is concluded, regardless of the ultimate outcome.

Payments of interest with respect to, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Certificates, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Certificate Owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Certificate Owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Special Counsel, interest with respect to the Certificates is exempt from California personal income taxes.

Ownership of the Certificates may result in other state and local tax consequences to certain taxpayers. Special Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Certificates. Prospective purchasers of the Certificates should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Special Counsel expects to deliver upon the delivery of the Certificates is set forth in APPENDIX F— FORM OF OPINION OF SPECIAL COUNSEL.

### **CERTAIN LEGAL MATTERS**

Quint & Thimmig LLP, Larkspur, California, as Special Counsel, will render an opinion with respect to the validity of the Certificates, the form of which opinion is set forth in APPENDIX F—FORM OF OPINION OF SPECIAL COUNSEL. Certain legal matters will also be passed on for the City by Quint & Thimmig LLP, as Disclosure Counsel, and for the Underwriter by its counsel Nixon Peabody LLP, Los Angeles, California. The fees and expenses of Special Counsel, Disclosure Counsel and Underwriter's counsel are contingent upon the execution and delivery of the Certificates.

### **LITIGATION**

To the best knowledge of the City, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the City to restrain or enjoin the authorization, execution or delivery of the Certificates, or the pledge of the Net Revenues or the collection of the payments to be made pursuant to the Installment Sale Agreement, or in any way contesting or affecting validity of the Certificates, the Installment Sale Agreement, the Trust Agreement or the agreement for the sale of the Certificates, or in any way contesting or affecting the transactions described in this Official Statement.

## **RATINGS**

S&P has assigned the rating of “AA” (stable outlook) to the Certificates based on the issuance of the Municipal Bond Insurance Policy by the Municipal Bond Insurer at the time of delivery of the Certificates. See “MUNICIPAL BOND INSURANCE.” In addition, S&P has assigned the underlying rating of “A+” to the Certificates without regard to the issuance of the Municipal Bond Insurance Policy. These ratings reflect only the views of S&P and an explanation of the significance of such ratings may be obtained from S&P. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by S&P, if in the judgment of the S&P, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

The City has covenanted in the Continuing Disclosure Certificate to file on the EMMA website notices of any rating changes on the Certificates. See APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE. Notwithstanding such covenant, information relating to rating changes on the Certificates may be publicly available from S&P prior to such information being provided to the City and prior to the date the City is obligated to file a notice of a rating change on EMMA. Purchasers of the Certificates are directed to S&P, its website and official media outlet for the most current rating changes with respect to the Certificates after the initial issuance of the Certificates. However, neither the City nor the Underwriter takes any responsibility for the accuracy of such information on such websites or outlets.

## **MUNICIPAL ADVISOR**

The City has entered into an agreement with Wulff, Hansen & Co., San Rafael, California (the “Municipal Advisor”), whereunder the Municipal Advisor is providing municipal advisory services to the City with respect to preparation and sale of the Certificates. The Municipal Advisor has read and participated in the drafting of certain portions of this Official Statement. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to the City with respect to accuracy and completeness of disclosure of such information, and the Municipal Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of the Official Statement or any other matter related to the Official Statement. The compensation of the Municipal Advisor is contingent upon the sale of the Certificates.

## **CONTINUING DISCLOSURE**

The City has covenanted for the benefit of owners and beneficial owners of the Certificates to provide certain financial information and operating data relating to the Enterprise by not later than nine months following the end of the City’s fiscal year (currently ending June 30) (the “Annual Report”), commencing with the report for the fiscal year ended June 30, 2021, which is due not later than March 31, 2022, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with the Municipal Securities Rulemaking Board through the Electronic Municipal Access (EMMA) System. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized below under the caption APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5), as amended.

The City has not had any obligations to provide Annual Information or notices of enumerated events to EMMA in the last five years.

### UNDERWRITING

The Certificates are being purchased by Hilltop Securities Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Certificates at a price of \$ \_\_\_\_\_ (representing an aggregate principal amount of the Certificates of \$ \_\_\_\_\_, plus an original issue premium of \$ \_\_\_\_\_, less an Underwriter's discount of \$ \_\_\_\_\_). The Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in a certificate purchase agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell Certificates to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

### MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion, assumptions, projections, anticipated events or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and actual results may differ substantially from those set forth herein. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the owners of the Certificates.

The summaries of certain provisions of the Certificates, statutes and other documents or agreements referred to in this Official Statement do not purport to be complete, and reference is made to each of them for a complete statement of their provisions. Copies are available for review by making requests to the City.

The Appendices are an integral part of this Official Statement and must be read together with all other parts of this Official Statement. The audited financial statements of the City, including a summary of significant accounting policies, for the fiscal year ended June 30, 2020, are contained in APPENDIX B—AUDITED FINANCIAL REPORT OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020.

The execution of this Official Statement and its delivery have been authorized by the City Council of the City.

CITY OF WILLOWS

By \_\_\_\_\_  
Interim City Manager

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**APPENDIX A**  
**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

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**APPENDIX B**

**AUDITED FINANCIAL REPORT OF THE  
CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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**APPENDIX C**  
**CITY INVESTMENT POLICY**

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## APPENDIX D

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CITY OF WILLOWS (the "City") in connection with the execution and delivery of \$\_\_\_\_\_ \* City of Willows Certificates of Participation (2021 Enterprise Financing Project) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of November 1, 2021, by and among U.S. Bank National Association, as trustee (the "Trustee"), the City and the Public Property Financing Corporation of California (the "Trust Agreement"). Pursuant to Section 11.07 of the Trust Agreement, the City covenants and agree as follows:

Section 1. Definitions. In addition to the definitions set forth above and in the Trust Agreement which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is nine months after the end of the City's Fiscal Year (currently March 31 based on the City's Fiscal Year end of June 30).

"*Dissemination Agent*" shall mean, initially, NBS, or any successor Dissemination Agent designated in writing by the City and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

"*Fiscal Year*" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the City as its official Fiscal Year period under a Certificate of the City filed with the Trustee.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the City in connection with the issuance of the Certificates.

"*Participating Underwriter*" means Hilltop Securities Inc., the original underwriter of the Certificates.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

"*Significant Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with the Rule.

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\* Preliminary, subject to change.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2022, with the report for Fiscal Year 2020-21 provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 business days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 business days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City in a timely manner shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements for the prior Fiscal Year prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the Annual Report Date, financial information and operating data with respect to the City for the preceding Fiscal Year, substantially similar to that provided in the Official Statement, as follows:

- (i) Customer Accounts and Revenues by Customer Type;
- (ii) Ten Largest Rate Payers; and
- (iii) Historical Summary of Operating Revenues, Operating Expense and Debt Service Coverage.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.



(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Significant Events with respect to the Certificates:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) 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;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an 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;
- (xiv) Appointment of a successor or additional trustee or Trustee with respect to the Certificates or the change of name of a trustee or Trustee, if material;
- (xv) The incurrence of a financial obligation of the City or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City or other obligated person, any of which affect security holders, if material; or
- (xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City or other obligated person, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Significant Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsection (a)(viii) above need not be given under this subsection any earlier than the notice (if any) of the underlying event given to holders of affected Certificates.

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a) (xv) of this Section 5 contain the qualifier “if material.” The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event’s occurrence is material for purposes of U.S. federal securities law. The City intends that the words used in paragraphs (xv) and (xvi) and the definition of “financial obligation” to have the meanings ascribed thereto in SEC Release No. 34-83885 (August 20, 2018).

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City 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 City, 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 City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the City shall give notice of such termination in the same manner as for a Significant Event under Section 5(b).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days’ written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure 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), 4 or 5(a), 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 an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative.

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Significant Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Significant Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Significant Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The Dissemination acts hereunder solely for the benefit of the City and this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter or the holders or beneficial owners of the Certificates. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Certificates and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: [Closing Date]

CITY OF WILLOWS

By \_\_\_\_\_  
Interim City Manager

ACKNOWLEDGED:

NBS, as Dissemination Agent

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

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: City of Willows

Name of Issue: Certificates of Participation (2021 Enterprise Financing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Installment Payments to be made by the City of Willows, as the Purchase Price for Certain Property Pursuant to an Installment Sale Agreement with the Public Property Financing Corporation of California

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by \_\_\_\_\_.

Date: \_\_\_\_\_

NBS, as Dissemination Agent

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

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## APPENDIX E

### GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY AND THE COUNTY

*The information in this section of the Official Statement is presented as general background data. The Installment Payments (and therefore the Certificates) are payable solely from the net revenues of the Enterprise and other sources as described in the Official Statement. The taxing power of the City, the State of California, or any political subdivision thereof is not pledged to the payment of the Certificates.*

*Although reasonable efforts have been made to include up-to-date information in this Appendix E, some of the information is not current due to delays in reporting of information by various sources. It should not be assumed that the trends indicated by the following data would continue beyond the specific periods reflected herein.*

#### Introduction

*City of Willows.* The of Willows (the “City”) was incorporated as a general law city on January 16, 1886 and is the county seat of Glenn County (the “County”), California. The City is located in the northern part of the California’s Central Valley approximately halfway between the cities of Sacramento and Redding. The City encompasses an area of approximately 2.9 square miles and has a current population of approximately 6,200 residents. The City is a home to regional government offices of the California Highway Patrol, the California Department of Motor Vehicles, the United States Bureau of Reclamation and the main offices of the Mendocino National Forest, which comprises about one million acres of Federal land located mostly in mountainous terrain west of Willows.

*Glenn County.* Glenn County encompasses 1,327 square miles and is bordered by Colusa County to the south, Butte County to the east, Tehama County to the north, Mendocino County to the west and Lake County to the southwest. Approximately two thirds of the land in the County is used for the production of rice, fruits, nuts, dairy products, wheat, and livestock. Agribusiness and the government sector are the foundations of the County’s economy.

#### Population

The table below summarizes population of the City, the County, and the State of California for the last five years.

#### CITY OF WILLOWS, GLENN COUNTY, and CALIFORNIA Population

Year	City of Willows	Glenn County	State of California
2017	6,106	28,328	39,352,398
2018	6,107	28,476	39,519,535
2019	6,073	28,661	39,605,361
2020	6,243	29,582	39,648,938
2021	6,233	29,679	39,466,855

Source: California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2011-21, with 2010 Census Benchmark.

## Employment

The following table summarizes historical employment and unemployment for the County, the State of California and the United States:

**GLENN COUNTY, CALIFORNIA, and UNITED STATES  
Civilian Labor Force, Employment, and Unemployment  
(Annual Averages)**

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate <sup>(1)</sup>
2016	Glenn County	13,090	12,020	1,070	8.2%
	California	19,102,700	18,065,000	1,037,700	5.4
	United States	159,187,000	151,436,000	7,751,000	4.9
2017	Glenn County	12,920	11,950	960	7.5
	California	19,312,000	18,393,100	918,900	4.8
	United States	160,320,000	153,337,000	6,982,000	4.4
2018	Glenn County	12,780	11,940	830	6.5
	California	19,398,200	18,582,800	815,400	4.2
	United States	162,075,000	155,761,000	6,314,000	3.9
2019	Glenn County	13,000	12,200	800	6.1
	California	19,411,600	18,627,400	784,200	4.0
	United States	163,539,000	157,538,000	6,001,000	3.7
2020 <sup>(2)</sup>	Glenn County	12,570	11,450	1,110	8.9
	California	18,821,200	16,913,100	1,908,100	10.1
	United States	160,742,000	147,795,000	12,947,000	8.1

Source: California Employment Development Department, Monthly Labor Force Data for Counties, Annual Average 2010-20, and US Department of Labor.

- (1) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures available in this table.  
 (2) Latest available full-year data.



## Major Employers in the County

The table below sets forth the ten largest employers in Glenn County in 2020.

### GLENN COUNTY 2020 Major Employers

Employer	No. of Employees	% of Total
Glenn County	456	4.72%
Johns Manville	250-499	2.59-5.16
Erick Nielsen Enterprises Incorporated	100-249	1.03-2.58
Glenn Family Medical Group	100-249	1.03-2.58
Glenn Medical Center	100-249	1.03-2.58
Rumiano Cheese Factory	100-249	1.03-2.58
Sierra Nevada Cheese Co.	100-249	1.03-2.58
Sunsweet Dryers	100-249	1.03-2.58
Walmart	100-249	1.03-2.58
Glenn County Office of Education	50-99	1.03-2.58
Total Top 10 Employers	1,456-2,797	15.06-28.93%

Source: Glenn County 2019-20 Comprehensive Annual Financial Report.

## Construction Activity

The following table reflects the five-year history of building permit valuation for the City and the County:

### CITY OF WILLOWS Building Permits and Valuation (Dollars in Thousands)

	2016	2017	2018	2019	2020 <sup>(1)</sup>
<b>Permit Valuation:</b>					
New Single-family	\$ 474	\$ -	\$ -	\$ 770	\$ 262
New Multi-family	-	-	-	-	3,021
Res. Alterations/Additions	292	521	226	233	526
Total Residential	767	521	226	1,003	3,811
Total Nonresidential	15	5,626	464	644	7,177
Total All Building	782	6,147	691	1,647	10,988
<b>New Dwelling Units:</b>					
Single Family	2	-	-	4	1
Multiple Family	-	-	-	-	24
Total	2	-	-	4	25

### GLENN COUNTY Building Permits and Valuation (Dollars in Thousands)

	2016	2017	2018	2019	2020 <sup>(1)</sup>
<b>Permit Valuation:</b>					
New Single-family	\$ 11,438	\$ 4,302	\$ 10,769	\$ 7,860	\$ 2,690
New Multi-family	-	-	978	124	3,021
Res. Alterations/Additions	1,640	1,967	867	1,634	1,025
Total Residential	13,078	6,269	12,614	9,619	6,738
Total Nonresidential	5,472	9,920	5,627	7,051	19,514
Total All Building	18,550	16,190	18,241	16,671	26,252
<b>New Dwelling Units:</b>					
Single Family	54	21	49	45	13
Multiple Family	-	-	10	2	24
Total	54	21	59	47	37

Source: Construction Industry Research Board: "Building Permit Summary."

Note: Columns may not sum to totals due to independent rounding.

(1) Latest available full year data.

## Household Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm

dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the median household effective buying income for the City, the County, the State and the nation for the past five years.

**CITY OF WILLOWS, GLENN COUNTY,  
STATE OF CALIFORNIA AND UNITED STATES  
Median Household Effective Buying Income**

	2016	2017	2018	2019	2020
Willows	\$ 39,477	\$ 40,819	\$ 38,858	\$ 45,345	\$ 43,194
Glenn County	36,957	38,861	39,936	44,392	45,405
California	55,681	59,646	62,637	65,870	67,956
United States	48,043	50,735	52,841	55,303	56,790

Source: Nielsen, Inc.

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## APPENDIX F

### FORM OF OPINION OF SPECIAL COUNSEL

[Closing Date]

City Council of the  
City of Willows  
201 North Lassen St.  
Willows, California 95988

OPINION: \$ \_\_\_\_\_ \* Certificates of Participation (2021 Enterprise Financing Project), Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Installment Payments to be Made by the City of Willows (Glenn County, California), as the Purchase Price for Certain Property Pursuant to an Installment Sale Agreement with the Public Property Financing Corporation of California

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#### Members of the City Council:

We have acted as special counsel in connection with the delivery by the City of Willows (the "City"), of its \$ \_\_\_\_\_ \* Installment Sale Agreement, dated as of November 1, 2021, by and between the Public Property Financing Corporation of California (the "Corporation") and the City (the "Installment Sale Agreement"), pursuant to the California Government Code. The Corporation has, pursuant to the Assignment Agreement, dated as of November 1, 2021 (the "Assignment Agreement"), by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), assigned certain of its rights under the Installment Sale Agreement, including its right to receive installment payments made by the City thereunder (the "Installment Payments"), to the Trustee. Pursuant to the Trust Agreement, dated as of November 1, 2021, by and among the Trustee, the Corporation and the City (the "Trust Agreement"), the Trustee has executed and delivered certificates of participation (the "Certificates") evidencing direct, undivided fractional interests of the owners thereof in the Installment Payments. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Installment Sale Agreement and the Trust Agreement and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a municipal corporation and general law city with the power to enter into the Installment Sale Agreement and the Trust Agreement and to perform the agreements on its part contained therein.
2. The Installment Sale Agreement has been duly authorized, executed and delivered by the City and is an obligation of the City valid, binding and enforceable against the City in accordance with its terms.
3. The Trust Agreement and the Assignment Agreement are valid, binding and enforceable in accordance with their terms.

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\* Preliminary, subject to change.

4. Subject to the terms and provisions of the Installment Sale Agreement, the Installment Payments to be made by the City are payable from a first and prior lien on Net Revenues of the Enterprise (as such terms are defined in the Installment Sale Agreement) on a parity with certain outstanding obligations. By virtue of the Assignment Agreement, the owners of the Certificates are entitled to receive their fractional share of the Installment Payments in accordance with the terms and provisions of the Trust Agreement.

5. Subject to the City's compliance with certain covenants, interest with respect to the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended (the "Code"). Failure to comply with certain of such covenants could cause interest with respect to the Certificates to be includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates. It is also our opinion that the Installment Sale Agreement is a "qualified tax-exempt obligation" under section 265(b)(3) of the Code.

6. The portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

Ownership of the Certificates may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates.

The rights of the owners of the Certificates and the enforceability of the Trust Agreement and the Installment Sale Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

With respect to the opinions expressed herein, the enforceability of the Installment Sale Agreement is subject to the limitations on the imposition of certain fees and charges by the City related to the Enterprise under Articles XIII C and XIII D of the California Constitution. In addition, the rights of the owners of the Certificates and the enforceability of the Trust Agreement and the Installment Sale Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the City and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to 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.

Respectfully submitted,

## APPENDIX G

### BOOK-ENTRY ONLY SYSTEM

*The information in this Appendix G, concerning The Depository Trust Company, New York, New York ("DTC"), and DTC's book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of principal of or interest with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix G. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. Information Furnished by DTC Regarding its Book-Entry Only System*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates (as used in this Appendix G, 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 maturity of the Securities, 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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 affect 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 for their benefit has agreed to obtain and transmit the 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 the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 the 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 the City or the paying agent or bond trustee, 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 nor its nominee, the paying agent or bond trustee, or the City, 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 the City or the paying agent or bond trustee, 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. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The City 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.

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



**APPENDIX H**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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Quint & Thimmig LLP

09/15/21  
11/16/21

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**TRUST AGREEMENT**

**Dated as of December 1, 2021**

**by and among**

**U.S. BANK NATIONAL ASSOCIATION, as Trustee,**

**the**

**PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA**

**and the**

**CITY OF WILLOWS**

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**(2021 Sewer System Financing Project)**

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EXHIBIT A - DEFINITIONS

EXHIBIT B - FORM OF CERTIFICATE OF PARTICIPATION

## TRUST AGREEMENT

This TRUST AGREEMENT, dated as of December 1, 2021, by and among U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "Trustee"), the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation organized and existing under the laws of the State of California, as seller under the Installment Sale Agreement hereinafter referred to (the "Corporation"), and the CITY OF WILLOWS, a municipal corporation and general law city organized and existing under the Constitution and laws of the State of California, as purchaser under said Installment Sale Agreement (the "City");

### W I T N E S S E T H

WHEREAS, the City has determined that, due to prevailing financial market conditions and other reasons, it is in the best interests of the City to (a) refinance the acquisition and construction of certain improvements to the City's municipal sewer system (the "Sewer System") and, in particular, to provide for the refunding of the City's outstanding 2007 Certificates of Participation (Sewer Treatment Renovation Project), originally delivered in the principal amount of \$6,889,000, of which \$5,465,000 is currently outstanding (the "2007 Certificates"), and (b) finance new improvements to the Sewer System (the "2021 Project");

WHEREAS, the City Council of the City has determined that in order to accomplish such financing it is necessary and desirable to purchase the 2021 Project and the existing Sewer System (collectively, the "Property") from the Corporation pursuant to an installment sale agreement by and between the Corporation and the City (the "Installment Sale Agreement"); and

WHEREAS, for the purpose of obtaining the moneys required to be deposited by it with the Trustee for such purposes, the Corporation proposes to assign and transfer certain of its rights under the Installment Sale Agreement to the Trustee and, in consideration of such assignment and the execution of this Trust Agreement, the Trustee has agreed to execute and deliver certificates of participation, each evidencing a direct, undivided fractional interest in the Installment Payments and Prepayments (each as hereinafter defined) to be made by the City, to provide the moneys required herein to be deposited by the Corporation;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto hereby agree as follows:

## ARTICLE I

### DEFINITIONS; AUTHORIZATION; EXHIBITS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in Exhibit A attached hereto shall, for all purposes of this Trust Agreement, have the meanings therein specified.

Section 1.02. Authorization. Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Trust Agreement and has taken all actions necessary to authorize the execution of this Trust Agreement by the officers and persons signing it.

Section 1.03. Content of Written Certificates. Every certificate provided for in this Trust Agreement with respect to compliance with any provision hereof, except the certificate of destruction pursuant to Section 15.07, shall include (a) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate is based; (c) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (d) a statement of the assumptions upon which such certificate is based, and that such assumptions are reasonable; and (e) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate made or given by a City Representative may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an accountant, unless such City Representative knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the City, as the case may be) upon a certificate or opinion of or representation by a City Representative, unless such counsel or accountant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same City Representative, or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Trust Agreement, but different officers, counsel or accountants may certify to different matters, respectively.

Section 1.04. Exhibits. The following Exhibits are attached to, and by this reference are made a part of, this Trust Agreement:

- EXHIBIT A: DEFINITIONS
- EXHIBIT B: FORM OF CERTIFICATE OF PARTICIPATION



ARTICLE II

THE CERTIFICATES OF PARTICIPATION

Section 2.01. Authorization. The Trustee is hereby authorized and directed upon written request from the Corporation to execute and deliver, to the Original Purchaser, Certificates in an aggregate principal amount of twenty-\_\_\_\_\_ dollars (\$\_\_\_\_\_) evidencing undivided fractional interests in the Installment Payments and the Prepayments.

Section 2.02. Date. Each Certificate shall be dated as of the Closing Date.

Section 2.03. Maturity; Interest Rates. The Certificates shall mature on October 1 in the years and in the principal amounts, and interest with respect thereto shall be computed at the rates, as shown below:

<u>Maturity Date</u> <u>(October)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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Section 2.04. Interest. Interest with respect to the Certificates shall be payable semiannually on each Interest Payment Date, commencing April 1, 2022, to and including the date of final principal payment (or provision therefor pursuant to Section 15.01 hereof) or redemption, whichever is earlier, computed on the basis of a 360-day year comprised of twelve 30-day months. Said interest shall represent the portion of Installment Payments designated as interest and coming due during the six-month period preceding each Interest Payment Date with respect to the Certificates. The portion of Installment Payments designated as interest with respect to any Certificate shall be computed by multiplying the portion of Installment Payments designated as principal with respect to such Certificate by the rate of interest applicable to such Certificate.

Interest with respect to any Certificate shall be payable from the Interest Payment Date next preceding the date of execution thereof, unless (i) such Certificate is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (ii)

such Certificate is executed after the close of business on the first (1st) day of the month in which an Interest Payment Date falls and prior to such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) such Certificate is executed on or before March 15, 2022, in which event interest shall be payable from the Closing Date; *provided, however*, that if at the time of execution of any Certificate, interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payment of interest with respect to any Certificate shall be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the first (1st) day of the month in which an Interest Payment Date falls, such interest to be paid by check or draft mailed by first class mail to such Owner at his address as it appears on such registration books.

Section 2.05. Form of Certificates; Legends. The Certificates shall be delivered in the form of fully registered Certificates, without coupons, in the denomination of \$5,000 each or any integral multiple thereof, except that no Certificate may have principal maturing in more than one year. The Certificates shall be numbered in such manner as the Trustee deems appropriate. The Certificates shall be substantially in the form set forth in Exhibit B attached hereto and by this reference incorporated herein. The Certificates may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Trust Agreement as may be necessary or desirable to comply with custom, or otherwise.

Section 2.06. Execution. The Certificates shall be executed by and in the name of the Trustee, at the written direction of the Corporation, by the manual signature of an authorized signatory of the Trustee.

Section 2.07. Application of Proceeds. The proceeds received by the Trustee from the sale of the Certificates in the amount of \$\_\_\_\_\_ (being the principal amount of the Certificates of \$\_\_\_\_\_.00, less the underwriter's discount of \$\_\_\_\_\_ plus original issue premium of \$\_\_\_\_\_, less \$\_\_\_\_\_ paid by the underwriter to the Municipal Bonds Insurer, as an accommodation to the City, being the premium for the Municipal Bond Insurance Policy, and less \$\_\_\_\_\_ - paid by the underwriter to the Municipal Bonds Insurer, as an accommodation to the City, being the premium for the Reserve Policy) shall forthwith be deposited by the Trustee in the following respective funds and accounts:

- (a) The Trustee shall deposit in the Delivery Costs Fund an amount equal to \$\_\_\_\_\_;
- (b) The Trustee shall deposit in the Project Fund an amount equal to \$\_\_\_\_\_;
- (c) The Trustee shall deposit in the Installment Payment Fund an amount equal to \$\_\_\_\_\_ being capitalized interest with respect to the Certificates through April 1, 2022, and
- (d) The Trustee shall transfer the amount required to redeem the 2007 Certificates to the owner thereof as follows:

[USDA wire instructions]

The Trustee may, in its discretion, establish a temporary fund or account in its books and records to facilitate such deposits.

Section 2.08. Transfer and Exchange.

(a) *Transfer of Certificates.* Any Certificate may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.12 hereof

by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Certificate shall be surrendered for transfer, the Trustee shall deliver a new Certificate or Certificates of the same maturity, interest rate and aggregate principal amount to the transferee thereof. The Trustee may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No transfer of Certificates shall be required to be made during the fifteen (15) days prior to the date of selection of Certificates for redemption, or of any Certificate selected for redemption.

(b) *Exchange of Certificates.* Certificates may be exchanged at the Principal Corporate Trust Office, for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. The Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No exchange of Certificates shall be required to be made during the fifteen (15) days prior to the date of selection of Certificates for redemption, or of any Certificate selected for redemption.

Section 2.09. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like maturity and principal amount in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed in accordance with Section 15.07 hereof, and the Trustee shall deliver a certificate of destruction to the City. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor and maturity and numbered as the Trustee shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Certificate delivered under this Section 2.09 and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section 2.09. Any Certificate delivered under the provisions of this Section 2.09 in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Certificates secured by this Trust Agreement. The Trustee shall not be required to treat both the original Certificate and any substitute Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder; the Trustee shall consider only the substitute Certificate as Outstanding for such purpose. Notwithstanding any other provision of this Section 2.09, in lieu of delivering a new Certificate which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Certificate upon receipt of indemnity satisfactory to the Trustee.

Section 2.10. Payment. Except as otherwise provided herein, payment of interest due with respect to any Certificate on any Interest Payment Date shall be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check or draft mailed on the Interest Payment Date by first class mail to such Owner at his address as it

appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check or draft denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

Section 2.11. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Certificates. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the holding and ownership of Certificates shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of the authority of such officer or member.

(b) The fact of the holding of Certificates by any Owner and the amount, the maturity and the numbers of such Certificates and the date of his holding the same may be proved by reference to the Certificate Register maintained by the Trustee provided for in Section 2.12 hereof. The Trustee may conclusively assume that such ownership continues until transfer as provided in Section 2.08(a) hereof.

Nothing contained in this Article II shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which the Trustee may deem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Section 2.12. Certificate Register. The Trustee will keep or cause to be kept, at the Principal Corporate Trust Office, sufficient books for the registration and transfer of the Certificates which shall be open at all reasonable times with reasonable prior notice during normal business hours of the Trustee to inspection by the City and the Corporation; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Certificates as hereinbefore provided.

Section 2.13. CUSIP Numbers. The Trustee, the City and the Corporation shall not be liable for any defect or inaccuracy in the CUSIP number that appears on any Certificate or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the Certificates have been assigned by an

independent service and are included in such notice solely for the convenience of the Owners and that neither the Trustee, the City nor the Corporation shall be liable for any inaccuracies in such numbers.

Section 2.14. Use of Depository. Notwithstanding any provision of this Trust Agreement to the contrary:

(a) At the request of the Original Purchaser, the Certificates shall be initially executed and delivered registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, the depository designated by the Original Purchaser, and shall be evidenced by one Certificate maturing on each of the maturity dates set forth in Section 2.03 hereof to be in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such Certificates, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of The Depository Trust Company or its nominee, or of any substitute depository designated pursuant to paragraph (ii) of this subsection (a) ("substitute depository"); provided that any successor of The Depository Trust Company or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any substitute depository designated in a written request of the City, upon (i) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (ii) a determination by the City that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the City that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that no substitute depository which is not objected to by the City and the Trustee can be obtained.

(b) In the case of any transfer pursuant to paragraph (i) or paragraph (ii) of subsection (a) of this Section 2.14, upon receipt of all Outstanding Certificates by the Trustee, together with a written request of a City Representative to the Trustee, a single new Certificate shall be executed and delivered for each maturity of such Certificate then outstanding, registered in the name of such successor or such substitute depository or their nominees, as the case may be, all as specified in such written request of a City Representative. In the case of any transfer pursuant to paragraph (iii) of subsection (a) of this Section 2.14, upon receipt of all Outstanding Certificates by the Trustee together with a written request of a City Representative, new Certificates shall be executed and delivered in such denominations and registered in the names of such persons as are requested in a written request of the City provided the Trustee shall not be required to deliver such new Certificates within a period less than sixty (60) days from the date of receipt of such a written request of a City Representative.

(c) In the case of partial redemption or an advance refunding of any Certificates evidencing all of the principal maturing in a particular year, The Depository Trust Company shall, at the City's expense, deliver the Certificates to the Trustee for cancellation and re-registration to reflect the amounts of such reduction in principal.

(d) The City and the Trustee shall be entitled to treat the person in whose name any Certificate is registered as the absolute Owner thereof for all purposes of this Trust Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the City and the City and the Trustee shall have no responsibility for the accuracy of any records maintained by DTC or any participant in DTC or transmitting payments to, communication with, notifying or otherwise dealing with any beneficial owners of the Certificates. Neither the City nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except for the registered owner of any Certificate.

(e) So long as all outstanding Certificates are registered in the name of Cede & Co. or its registered assign, the City and the Trustee shall reasonably cooperate with Cede & Co., as sole registered Owner, or its registered assign in effecting payment of the principal and redemption premium, if any, and interest due with respect to the Certificates by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

(f) So long as all Outstanding Certificates are registered in the name of Cede & Co. or its registered assigns (hereinafter, for purposes of this paragraph (f), the "Owner"):

(i) All notices and payments addressed to the Owners shall contain the Certificates' CUSIP number.

(ii) Notices to the Owner shall be forwarded in the manner set forth in the form of Blanket Issuer Letter of Representations executed by the City and received and accepted by The Depository Trust Company.

### ARTICLE III

#### PROJECT FUND; DELIVERY COSTS FUND

Section 3.01. Project Fund. The Trustee shall establish a special fund designated as the "Project Fund;" shall keep such fund separate and apart from all other funds and moneys held by the Trustee; and shall administer such fund as provided herein. There shall be deposited in the Project Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to Section 2.07(b) hereof and any other funds from time to time deposited with the Trustee for such purpose and identified in writing by the City to the Trustee.

#### Section 3.02. Payment of Project Costs.

(a) Amounts in the Project Fund shall be disbursed for Project Costs. Disbursements from the Project Fund shall be made by the Trustee upon receipt of a sequentially numbered requisition requesting disbursement executed by a City Representative. Each such requisition shall:

(i) set forth the amounts to be disbursed for payment or reimbursement of previous payments of Project Costs and the person or persons to whom said amounts are to be disbursed;

(ii) state that the amounts to be disbursed constitute Project Costs, that said amounts are required to be disbursed pursuant to a contract entered into therefor by or on behalf of the Corporation or the City, or were necessarily and reasonably incurred, and that said amounts are not being paid in advance of the time, if any, fixed for payment;

(iii) state that no amount set forth in the requisition was included in any requisition requesting disbursement previously filed with the Trustee pursuant to this Section 3.02;

(iv) state that there has been compliance with Section 5.09 of the Installment Sale Agreement relating to the private business use limitation and the private loan limitation;

(v) state that the amount remaining in the Project Fund, together with interest earnings thereon or deposited therein, will, after payment of the amount set forth in the requisition requesting disbursement, be sufficient to pay all remaining Project Costs as then estimated;

(vi) if such requisition relates to disbursement for a construction portion of the 2021 Project, state that (A) insofar as such requisition relates to payment for work, materials, equipment or supplies, such work was actually performed, or such materials, equipment or supplies were actually installed in furtherance of the construction of the 2021 Project or delivered to the appropriate site for such purpose, or delivered for storage or fabrication at a place approved by the City, and (B) that an identified percentage of the 2021 Project has been completed; and

(vii) if such requisition relates to payment to a contractor, state that no liens have been imposed on the 2021 Project as a result of said construction except liens that have not yet ripened or that would attach by operation of law.

The Trustee shall be responsible for the safekeeping and investment (in accordance with Section 8.02 hereof) of the moneys held in the Project Fund and the payment thereof in accordance with this Section 3.02, but the Trustee shall not be responsible for such requisitions.

Section 3.03. Delivery Costs Fund. The Trustee shall establish a special fund designated as the "Delivery Costs Fund"; shall keep such fund separate and apart from all other funds and moneys held by it; and shall administer such fund as provided herein. There shall be deposited in the Delivery Costs Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to Section 2.07(a) hereof and any other funds from time to time deposited with the Trustee for such purpose and identified in writing to the Trustee.

Section 3.04. Payment of Delivery Costs.

(a) The moneys in the Delivery Costs Fund shall be disbursed by the Trustee to pay the Delivery Costs.

(b) The Trustee shall disburse moneys in the Delivery Costs Fund only upon a receipt of a sequentially numbered requisition, with bills, invoices or statements attached, signed by a City Representative setting forth the amounts to be disbursed for payment or reimbursement of Delivery Costs and the name and address of the person or persons to whom said amounts are to be disbursed, stating that the amounts to be disbursed are for Delivery Costs properly chargeable to the Delivery Costs Fund.

(c) The Trustee shall be responsible for the safekeeping and investment (in accordance with Section 8.02 hereof) of the moneys held in the Delivery Costs Fund and the payment thereof in accordance with this Section 3.04, but the Trustee shall not be responsible for such requisitions.

(d) Upon written notice from a City Representative that all Delivery Costs have been paid, but in no event later than February 18, 2022, the Trustee shall transfer any moneys then remaining in the Delivery Costs Fund to the Project Fund, the Delivery Costs Fund shall be closed and the Trustee shall no longer be obligated to make payments for Delivery Costs.

Section 3.05. Transfers of Unexpended Proceeds. The Trustee is hereby directed that all unexpended moneys remaining in the Project Fund and not identified in writing by a City Representative to be required for payment of Project Costs or other capital improvements to the Sewer System shall, on the date of notification by the City to the Trustee of completion of the 2021 Project, be transferred to the Installment Payment Fund and applied to pay the Installment Payments as the same become due and payable.



ARTICLE IV

REDEMPTION OF CERTIFICATES

Section 4.01. Redemption.

(a) *Generally.* The Certificates shall not be subject to redemption prior to maturity, except in the manner, at the times and in all respects in accordance with the provisions of this Article IV.

(b) *Redemption from Net Proceeds of Insurance and Condemnation.* The Certificates are subject to redemption in whole or in part on any Interest Payment Date from the Net Proceeds of any insurance or condemnation award deposited in the Installment Payment Fund and credited towards the Prepayment made by the City pursuant to Section 10.03 of the Installment Sale Agreement, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

(c) *Optional Redemption.* In addition, Certificates maturing on or after October 1, \_\_\_\_, are subject to redemption in whole or in part on any date on or after October 1, \_\_\_\_, at the principal amount with respect thereto, together with accrued interest to the date fixed for redemption from the proceeds of optional Prepayments made by the City pursuant to the Installment Sale Agreement, without premium.

(d) *Mandatory Redemption.*

(i) The Certificates maturing on October 1, \_\_\_\_, are subject to mandatory redemption in part on October 1, \_\_\_\_, and on each October 1 thereafter to and including October 1, \_\_\_\_, from the principal components of scheduled Installment Payments required to be paid by the City pursuant to Section 4.04 of the Installment Sale Agreement with respect to each such redemption date, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year (October 1)	Principal Amount of Certificates to be Redeemed
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\_\_\_\_\_  
†Maturity.

In the event that the Trustee shall redeem Certificates maturing on October 1, \_\_\_\_, in part but not in whole pursuant to subsections (b) or (c) of this Section 4.01, the amount of the Certificates to be redeemed in each subsequent year pursuant to this subsection (d)(i) shall be reduced to correspond to the principal components of the Installment Payments prevailing following such redemption as determined pursuant to Section 4.04(b) of the Installment Sale Agreement.

(ii) The Certificates maturing on October 1, \_\_\_\_, are subject to mandatory redemption in part on October 1, \_\_\_\_, and on each October 1 thereafter to and including October 1, \_\_\_\_, from the principal components of scheduled Installment Payments

required to be paid by the City pursuant to Section 4.04 of the Installment Sale Agreement with respect to each such redemption date, at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year (October 1)	Principal Amount of Certificates to be Redeemed
---------------------	--

†Maturity.

In the event that the Trustee shall redeem Certificates maturing on October 1, \_\_\_\_\_, in part but not in whole pursuant to subsections (b) or (c) of this Section 4.01, the amount of the Certificates to be redeemed in each subsequent year pursuant to this subsection (d)(i) shall be reduced to correspond to the principal components of the Installment Payments prevailing following such redemption as determined pursuant to Section 4.04(b) of the Installment Sale Agreement.

Section 4.02. Selection of Certificates for Redemption. Whenever provision is made in this Trust Agreement for the redemption of Certificates and less than all Outstanding Certificates are called for redemption, the Trustee shall select Certificates for redemption in any order of maturity selected by the City (and if not selected by the City, *pro rata* among maturities) and by lot within a maturity. The Trustee shall promptly notify the City and the Corporation in writing of the Certificates so selected for redemption. Upon the occurrence of a redemption in part, the maturities to be redeemed shall be subject to the approval of the Municipal Bond Insurer.

Section 4.03. Notice of Redemption. Notice of any such redemption shall be given by the Trustee on behalf and at the expense of the City by mailing a copy of a redemption notice by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to such Owner of the Certificate or Certificates to be redeemed at the address shown on the Certificate Register maintained by the Trustee; *provided, however*, that neither the failure to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Certificates.

All notices of redemption shall be dated and shall state: (i) the redemption date, (ii) the redemption price, (iii) if less than all Outstanding Certificates are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Certificates to be redeemed, (iv) that on the redemption date the redemption price will become due and payable with respect to each such Certificate or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date, (v) the place where such Certificates are to be surrendered for payment of the redemption price, which place of payment shall be the Principal Corporate Trust Office.

Notwithstanding the foregoing, in the case of any optional redemption of the Certificates, the notice of redemption shall state that the redemption is conditioned upon receipt by the Trustee of sufficient moneys to redeem the Certificates on the anticipated redemption date, and that the optional redemption shall not occur if, by no later than the scheduled redemption date, sufficient moneys to redeem the Certificates have not been deposited with the Trustee. In the event that the Trustee does not receive sufficient funds by the scheduled optional

redemption date to so redeem the Certificates to be optionally redeemed, such event shall not constitute an Event of Default; the Trustee shall send written notice to the Owners and to an Information Services to the effect that the redemption did not occur as anticipated, and the Certificates for which notice of optional redemption was given shall remain Outstanding for all purposes of this Trust Agreement.

Notice of redemption having been given as aforesaid, the Certificates or portions of Certificates so to be redeemed shall, on the redemption date, 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) interest with respect to such Certificates or portions of Certificates shall cease to be payable. Upon surrender of such Certificates for redemption in accordance with said notice, such Certificates shall be paid by the Trustee at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Certificate, there shall be executed and delivered for the Owner a new Certificate or Certificates of the same maturity in the amount of the unredeemed principal. All Certificates which have been redeemed shall be canceled by the Trustee, shall not be reissued and shall be destroyed pursuant to Section 15.07.

In addition to the foregoing notice, notice shall be given by the Trustee by telecopy, registered, certified or overnight mail, to an Information Service on the date such notice is mailed to the Owners, which shall state the information set forth above, but no defect in said notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

The Trustee shall have no responsibility for a defect in the CUSIP number that appears on any Certificate or in the redemption notice. The redemption notice may provide that the CUSIP numbers have been assigned by an independent service and are included in the notice solely for the convenience of Certificate Owners and that the Trustee and the City shall not be liable in any way for inaccuracies in said numbers.

Section 4.04. Partial Redemption of Certificate. Upon surrender of any Certificate redeemed in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the City, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered and of the same interest rate and the same maturity.

Section 4.05. Effect of Notice of Redemption. Notice having been given as aforesaid, and the moneys for the redemption, including interest to the applicable Interest Payment Date and premium, if any, having been set aside in the Installment Payment Fund, the Certificates to be redeemed shall become due and payable on said Interest Payment Date, and, upon presentation and surrender thereof at the office or offices specified in said notice, said Certificates shall be paid at the unpaid principal amount with respect thereto, plus redemption premium, if any, and any unpaid and accrued interest to said Interest Payment Date.

If, on said Interest Payment Date, moneys for the redemption of all the Certificates to be redeemed, together with interest to said Interest Payment Date, shall be held by the Trustee so as to be available therefor on such Interest Payment Date, and, if notice of redemption thereof shall have been given as aforesaid, then, from and after said Interest Payment Date, interest with respect to the Certificates to be redeemed shall cease to accrue and become payable. If said moneys shall not be so available on said Interest Payment Date, interest with respect to such Certificates shall continue to be payable at the same rates as it would have been payable had the Certificates not been called for redemption. All moneys held by or on behalf of the Trustee for

the redemption of particular Certificates shall be held in trust for the account of the Owners of the Certificates so to be redeemed. The Trustee shall not be liable for any interest earned on the amounts so held.

## ARTICLE V

### INSTALLMENT PAYMENTS; INSTALLMENT PAYMENT FUND

Section 5.01. Assignment of Rights in Installment Sale Agreement. The Corporation has, pursuant to the Assignment Agreement, transferred, assigned and set over to the Trustee all of its rights, title and interest in the Installment Sale Agreement (excepting only its rights under Sections 5.06, 7.03 and 9.03 thereof), including but not limited to all of the Corporation's rights to receive and collect all of the Installment Payments, the Prepayments and all other amounts required to be deposited in the Installment Payment Fund pursuant to the Installment Sale Agreement or pursuant hereto. All Installment Payments, Prepayments and such other amounts which the Corporation may at any time be entitled to shall be paid directly to the Trustee and all Installment Payments collected or received by the Corporation shall be deemed to be held or to have been collected or received by the Corporation as agent of the Trustee.

Section 5.02. Establishment of Installment Payment Fund. The Trustee shall establish a special fund designated as the "Installment Payment Fund". All moneys at any time deposited by the Trustee in the Installment Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the City nor the Corporation shall have any beneficial right or interest in the Installment Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trustee as hereinafter set forth.

Section 5.03. Deposits. There shall be deposited in the Installment Payment Fund all Installment Payments and Prepayments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to Sections 2.07(c), 4.06, 5.05, 6.01 or Article X of the Installment Sale Agreement, and any other moneys required to be deposited therein pursuant to the Installment Sale Agreement or pursuant to this Trust Agreement.

Section 5.04. Application of Moneys. All amounts in the Installment Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying principal, interest and redemption premiums (if any) with respect to the Certificates as the same shall become due and payable, in accordance with the provisions of Article II hereof.

Section 5.05. Surplus. Any surplus remaining in the Installment Payment Fund, after redemption and payment of all Certificates, including premiums, if any, and accrued interest (if any) and payment of any applicable fees, costs and expenses to the Trustee, or provision for such redemption or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the City for deposit in the Sewer Fund of the City.

## ARTICLE VI

### RESERVE FUND

Section 6.01. Establishment of Reserve Fund. The Trustee shall establish a special fund designated as the "Reserve Fund." All moneys, equal to the Reserve Requirement, at any time on deposit in the Reserve Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates and applied solely as provided herein.

Section 6.02. Deposits. On the Closing Date, the Reserve Policy shall be delivered to the Trustee by the Municipal Bond Insurer. The prior written consent of the Municipal Bond Insurer shall be a condition precedent to the deposit of any credit instrument (other than the Reserve Policy) provided in lieu of a cash deposit into the Reserve Fund. Notwithstanding anything to the contrary set forth in the Trust Agreement, amounts on deposit in the Reserve Fund shall be applied solely to the payment of principal and interest due with respect to the Certificates.

The Trustee shall, on or before each March 1 and September 1, value investments in the Reserve Fund at market value and transfer any moneys in the Reserve Fund then in excess of the Reserve Requirement; *provided, however*, that the Trustee shall not liquidate an investment to make such transfer of excess unless so directed in writing by a City Representative.

If, on any Interest Payment Date, the moneys available in the Installment Payment Fund do not equal the amount of the principal, interest and redemption premium (if any) with respect to the Certificates then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to make delinquent Installment Payments by transferring the amount necessary for this purpose to the Installment Payment Fund or shall draw on the Reserve Policy and apply amounts received from such draw to make delinquent Installment Payments by transferring the amount necessary for this purpose to the Installment Payment Fund. To the extent there is cash or investments on deposit in the Reserve Fund, such cash or investments shall be applied first before there is any draw on the Reserve Policy or any other credit facility credited to the Reserve Fund in lieu of cash (a "Credit Facility"). Payment of any Reserve Policy Costs (as defined below) shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Reserve Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw. Upon receipt of any delinquent Installment Payment with respect to which moneys have been advanced from the Reserve Fund or there has been a draw on the Reserve Policy, such Installment Payment shall be deposited in the Reserve Fund to the extent of such advance and first applied to reimburse a draw on the Reserve Policy and then to replenish any cash drawn therefrom. If the interest provisions of this paragraph shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created in the Trust Agreement, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party to the Trust Agreement, be applied as additional interest for any later periods of time when amounts are outstanding under the Trust Agreement to the extent that

interest otherwise due under the Trust Agreement for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the Municipal Bond Insurer, with the same force and effect as if the City had specifically designated such extra sums to be so applied and the Municipal Bond Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created in the Trust Agreement exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection

The Trustee shall ascertain the necessity for a claim upon the Reserve Policy and to provide notice to the Municipal Bond Insurer in accordance with the terms of the Reserve Policy at least five (5) business days prior to each date upon which interest or principal is due with respect to the Certificates.

The City agrees to repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Municipal Bond Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Municipal Bond Insurer at the Late Payment Rate.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Reserve Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Reserve Policy Costs related to such draw.

Amounts in respect of Reserve Policy Costs paid to the Municipal Bond Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Municipal Bond Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

If the City shall fail to pay any Reserve Policy Costs in accordance with the requirements of the Trust Agreement, the Municipal Bond Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Trust Agreement, other than (i) acceleration of the maturity of the Certificates, or (ii) remedies which would adversely affect Owners.

The City shall include any Reserve Policy Costs then due and owing the Municipal Bond Insurer in the calculation of the additional Parity Obligations test and the rate covenant in the Installment Sale Agreement.

Neither the Trust Agreement nor the Installment Agreement shall be discharged until all amounts due to the Municipal Bond Insurer shall have been paid in full. The City's obligation to pay such amounts shall expressly survive payment in full of the Certificates.

Section 6.03. Transfers of Excess. The Trustee shall, on or before each January 15 and July 15, value investments in the Reserve Fund at market value and transfer any moneys in the Reserve Fund then in excess of the Reserve Requirement in accordance with Section 8.02; *provided, however*, that the Trustee shall not liquidate an investment to make such transfer of excess unless so directed in writing by a City Representative. The Trustee shall transfer any amount in excess of such sum to the Installment Payment Fund to be applied as a credit against amounts owed by the City for the payment of Installment Payments on each Installment Payment Date thereafter, until depleted.

Section 6.04. Application in Event of Deficiency in the Installment Payment Fund. If, on any Interest Payment Date, the moneys on deposit in the Reserve Fund and the Installment Payment Fund (excluding amounts required for payment of principal and interest with respect to Certificates not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal and interest, the Trustee shall transfer all amounts then on deposit in the Reserve Fund to the Installment Payment Fund to be applied to the payment of the Installment Payments, and such moneys shall be distributed to the Owners of Certificates in accordance with the Trust Agreement. Any amounts remaining in the Reserve Fund upon payment in full of all Outstanding Certificates and all amounts due the Municipal Bond Insurer and the Trustee under the Trust Agreement, or upon provision for such payment as provided in the Trust Agreement, shall be withdrawn by the Trustee and paid to the City.

Section 6.05. Transfer To Make All Installment Payments. If, on any Interest Payment Date, the moneys on deposit in the Reserve Fund and the Installment Payment Fund (excluding amounts required for payment of principal and interest with respect to Certificates not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal and interest, the Trustee shall transfer all amounts then on deposit in the Reserve Fund to the Installment Payment Fund to be applied to the payment of the Installment Payments, and such moneys shall be distributed to the Owners of Certificates in accordance with Article II and IV of this Trust Agreement. Any amounts remaining in the Reserve Fund upon payment in full of all Outstanding Certificates and all amounts due the Trustee hereunder, or upon provision for such payment as provided in Section 15.01, shall be withdrawn by the Trustee and paid to the City.



## ARTICLE VII

### INSURANCE AND CONDEMNATION FUND; INSURANCE; EMINENT DOMAIN

Section 7.01. Establishment of Insurance and Condemnation Fund. Any Net Proceeds of insurance against accident to or destruction of any structure constituting any part of the 2021 Project collected by the City in the event of any such accident or destruction shall be transferred by the City to the Trustee pursuant to Section 6.01 of the Installment Sale Agreement and the Trustee shall deposit such moneys in a special fund designated as the "Insurance and Condemnation Fund" to be applied and disbursed by the Trustee as provided in Section 6.01(a) of the Installment Sale Agreement.

Section 7.02. Application of Net Proceeds of Eminent Domain Award. If all or any part of the Property shall be taken by eminent domain (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be transferred by the City to the Trustee for deposit in the Insurance and Condemnation Fund pursuant to Section 6.01(b) of the Installment Sale Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If the City determines that such eminent domain proceedings have not materially affected the operation of the Property, or the ability of the City to meet any of its obligations under the Installment Sale Agreement, and if the City determines that such proceeds are: (i) not needed for repair, replacement or rehabilitation of the Property, upon receipt of a written certificate from the City the Trustee shall transfer such proceeds to the Installment Payment Fund to be credited towards the Prepayments required to be paid pursuant to Section 10.03 of the Installment Sale Agreement and applied to the redemption of Certificates in the manner provided in Article IV hereof, or (ii) needed for repair or rehabilitation of the Property, upon receipt of a written certificate from the City the Trustee shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such repair or rehabilitation, upon the filing with the requisitions of the City Representative, substantially in the form described in Section 3.02 in connection with the payment of Project Costs.

(b) If (i) less than all of the Property shall have been taken in such eminent domain proceedings, and if the City determines that such eminent domain proceedings have materially affected the operation of the Property or the ability of the City to meet any of its obligations under the Installment Sale Agreement or (ii) all of the Property shall have been taken in such eminent domain proceedings, then upon receipt of written instruction from the City the Trustee shall transfer such proceeds to the Installment Payment Fund to be credited toward the Prepayment required to be paid pursuant to Section 10.03 of the Installment Sale Agreement and applied to the redemption of Certificates in the manner provided in Article IV hereof.

Section 7.03. Excess Net Proceeds. After all of the Certificates have been retired and the entire amount of principal, interest and any redemption premiums with respect to the Certificates and any remaining fees and expenses of the Trustee have been paid in full, the Trustee shall transfer any remaining funds to the City.

Section 7.04. Cooperation. The Corporation shall cooperate with the City at the expense of the City in filing any proof of loss with respect to any insurance policy maintained pursuant to Article V of the Installment Sale Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any part thereof.

## ARTICLE VIII

### MONEYS IN FUNDS; INVESTMENT

Section 8.01. Held in Trust. The moneys and investments held by the Trustee under this Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Certificates, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of either the Corporation, the Trustee (except as provided in Section 8.03 below) or the City or any Owner of Certificates, or any of them until after the Certificates have been paid in full.

Section 8.02. Investments Authorized. Moneys held by the Trustee hereunder with respect to a City shall, upon written order of a City Representative received by the Trustee at least two (2) Business Days prior to investment, be invested and reinvested by the Trustee in Permitted Investments. If a City Representative shall fail to so direct investments, the Trustee shall invest the affected moneys in Permitted Investments described in paragraph (g) of the definition thereof; *provided, however*, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the City specifying a specific money market fund and, if no such a written direction from the City is so received, the Trustee shall hold such moneys uninvested. Such investments, if registrable, shall be registered in the name of and held by the Trustee or its nominee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 8.02. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. Investments, if registrable, shall be registered in the name of and held by the Trustee or its nominee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 8.02. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Article VIII. The Trustee shall be entitled to rely conclusively upon the written instructions of a City Representative directing investments as to the fact that each investment is permitted by the laws of the State and constitutes a Permitted Investment hereunder, and the Trustee shall not be required to make further investigation with respect thereto. To the extent that any of the requirements concerning any Permitted Investment embodies a legal conclusion, the Trustee shall be entitled to conclusively rely upon a certificate from the appropriate party or an opinion of counsel to such party that such requirement has been met.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the City periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

Section 8.03. Accounting. The Trustee shall furnish to the City a monthly accounting in statement form of all investments, transactions and disbursements made by the Trustee. The Trustee may commingle, at its sole discretion, any of the funds held by it pursuant to this Trust Agreement into a separate fund or funds for investment purposes only; *provided, however*, that

all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

Section 8.04. Allocation of Earnings. All interest or income received by the Trustee on investment of the Installment Payment Fund shall, prior to completion of the 2021 Project, be transferred to the Project Fund and thereafter shall be retained in the Installment Payment Fund and be applied as a credit against Installment Payments. All interest or income in the Project Fund shall be retained in the Project Fund until the Project Fund is closed pursuant to Section 3.05 hereof. All interest or income in the Delivery Costs Fund shall be retained in the Delivery Costs Fund until the Delivery Costs Fund is closed pursuant to Section 3.04 hereof.

Section 8.05. Acquisition, Disposition and Valuation of Investments.

(a) Except as otherwise provided in subsection (b) of this Section 8.05, the City covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Trust Agreement, or otherwise containing gross proceeds of the Certificates (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Trust Agreement or the Code) at Fair Market Value.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code; provided that the City shall inform the Trustee which funds are subject to a yield restriction.

(c) For the purpose of determining the amount in any fund, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least semiannually at the market value thereof. The Trustee may sell or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

ARTICLE IX  
THE TRUSTEE

Section 9.01. Appointment of Trustee. The Trustee is hereby appointed trustee, registrar and paying agent by the Corporation and the City for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Trust Agreement. The Corporation and the City agree that they will maintain a Trustee which shall be a corporation or association organized and doing business under the laws of any state of the United States of America or the District of Columbia or under federal law of the United States, authorized under such laws to exercise corporate trust powers, which shall have (or, in the case of a corporation included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or State authority, so long as any Certificates are Outstanding. If such corporation or association publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section 9.01, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 9.01, the Trustee shall resign immediately in the manner and with the effect specified in Section 9.07.

The Trustee is hereby authorized to pay the Certificates when duly presented for payment at maturity, or on redemption and to cancel all Certificates upon payment thereof. The Trustee shall keep records in accordance with corporate trust industry standards of all funds administered by it and of all Certificates paid and discharged. The Trustee shall be compensated for its services rendered pursuant to the provisions of this Trust Agreement.

Section 9.02. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Trust Agreement and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

The Trustee, prior to the occurrence of an Event of Default and after the curing or waiver of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Trust Agreement and no implied duties or obligations, fiduciary or otherwise, shall be read into this Trust Agreement against the Trustee. In case an Event of Default has occurred (which has not been cured or waived) the Trustee may exercise such of the rights and powers vested in it by this Trust Agreement and shall use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

No provision in this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. The Trustee shall be entitled to interest on any amounts advanced at its or of its affiliates' prime rate then in effect plus two percent (2%).

The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder either directly or by or through attorneys or agents and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder. The Trustee shall not be liable for any action taken or not taken in reliance upon the opinion or advice of counsel.

The Trustee shall not be responsible for any recital herein, in the Assignment Agreement or in the Certificates, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Certificates delivered hereunder or intended to be secured hereby and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Corporation or the City hereunder or under the Installment Sale Agreement.

The Trustee shall not be accountable for the use of any Certificates delivered hereunder or the proceeds thereof. The Trustee, in its individual or any other capacity, may become the Owner or pledgee of Certificates secured hereby with the same rights which it would have if it were not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Certificates, whether or not such committee shall represent the Owners of the majority in principal amount of the Certificates then Outstanding.

In the absence of bad faith on its part, the Trustee shall be protected in acting or refraining from acting upon any notice, request, consent, requisition, Written Certificate, order, affidavit, letter, telegram or other paper or document, whether received by mail, telecopy or personal delivery, reasonably believed by it to be genuine and to have been signed or sent by the proper person or persons. The Trustee shall not be responsible for the representations made in requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein. Any action taken or omitted to be taken by the Trustee in good faith pursuant to this Trust Agreement upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate, shall be conclusive and binding upon all future Owners of the same Certificate and upon Certificates executed and delivered in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Certificate or to take any action at his request unless such Certificate shall be deposited with the Trustee or satisfactory evidence of the ownership of such Certificate in accordance with the terms of this Trust Agreement shall be furnished to the Trustee.

As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Written Certificate signed by an Corporation Representative or a City Representative as sufficient evidence of the facts therein contained and except during the existence of an Event of Default of which the Trustee has been given notice or is deemed to have notice as provided in Section 9.02(i), shall also be at liberty to accept a similar Written Certificate to the effect that any particular dealing, transaction or action is necessary or expedient. The Trustee may accept a Written Certificate of an Corporation Representative or a City Representative to the effect that an authorization in the form therein set forth has been adopted by the Corporation or the City, as the case may be, as conclusive evidence that such authorization has been duly adopted, and is in full force and effect.

The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees, agents and attorneys.

The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the City to make any of the Installment Payments

to the Trustee required to be made by the City pursuant to the Installment Sale Agreement, unless the Trustee shall be specifically notified in writing of such default by the Corporation, the City or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Certificates then Outstanding and all notices or other instruments required by this Trust Agreement to be delivered to the Trustee must, in order to be effective, be delivered at the Principal Corporate Trust Office, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default except as aforesaid.

The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

Notwithstanding anything elsewhere in this Trust Agreement with respect to the execution of any Certificates, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Trust Agreement, the Trustee shall have the right, but shall not be required, to demand any showings, Written Certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action, by the Trustee deemed desirable for the purpose of establishing the right of the City to the withdrawal of any cash, or the taking of any other action by the Trustee.

All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of moneys made by it in accordance with Article VII of this Trust Agreement.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in aggregate principal amount of the Outstanding Certificates relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Trust Agreement.

Before taking any action under Article XII hereof or this Section 9.02 at the request or direction of the Certificate Owners, the Trustee may require that an indemnity bond satisfactory to it for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct in connection with any action so taken. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which counsel may be counsel to any of the parties hereto, or a verified Written Certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying thereon.

Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates.

The Trustee shall not be accountable for the use or application by the City or the Corporation or any other party of any funds which the Trustee has released in accordance with the terms of this Trust Agreement.

The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City or the Corporation of the Property. In no event shall the Trustee be

liable for incidental, indirect, special or consequential damages in connection with or arising from the Installment Sale Agreement or this Trust Agreement for the existence, furnishing or use of the Property.

The Trustee makes no representations as to the validity or sufficiency of the Certificates and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Certificates assigned to or imposed upon it. The Trustee shall not be responsible for the validity or sufficiency of the Installment Sale Agreement or the assignment under the Assignment Agreement, the sufficiency of this Trust Agreement or the creation or perfection of any security interest purported to be created by this Trust Agreement or the Installment Sale Agreement. The Trustee shall not be liable for the sufficiency or collection of any Installment Payments or other moneys required to be paid to it or to the Owners under the Installment Sale Agreement (except as provided in this Trust Agreement), its right to receive moneys pursuant to the Installment Sale Agreement, or the value of or title to the premises upon which the Property is located. The Trustee makes no representations and shall have no responsibility for any official statement or other offering material prepared or distributed with respect to the Certificates.

In accepting the trust hereby created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity and all persons, including without limitation the Owners and the City or the Corporation having any claim against the Trustee arising from this Trust Agreement shall look only to the funds and accounts held by the Trustee hereunder for payment except as otherwise provided herein.

The Trustee shall not be personally liable, in case of entry by it, the Corporation upon the Property, for debts contracted or liabilities or damages incurred in the management or operation of the Property by the Corporation or it.

Whether or not therein expressly so provided, every provision of this Trust Agreement, the Installment Sale Agreement and the Assignment Agreement relating to the conduct or affecting the liability of the Trustee shall be subject to the provisions of this Article IX.

The Trustee is authorized and directed to execute, in its capacity as Trustee, the Assignment Agreement.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Trust Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct.

Whenever in the administration of the trusts imposed upon it by this Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the City, and such certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Trust Agreement in reliance upon such certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

Section 9.03. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and expenses (including the allocated costs of in-house counsel) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services, which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust, and the Trustee shall have a first and prior lien on the funds held hereunder to secure the same. The Trustee's rights hereunder, including its rights under Section 13.03 hereof, shall survive its resignation or removal and final payment of the Certificates.

Section 9.04. Notice to Certificate Owners of Default. If an Event of Default occurs of which the Trustee has been given or is deemed to have notice pursuant to Section 9.02, then the Trustee shall, within ninety (90) days of the occurrence thereof, give written notice thereof by first class mail to the Owner of each Certificate, unless such Event of Default shall have been cured before the giving of such notice.

Section 9.05. Intervention by Trustee. In any judicial proceeding to which the Corporation or the City is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of the Certificates, the Trustee may intervene on behalf of the Certificate Owners, and shall do so if requested in writing by the Owners of at least twenty-five percent (25%) of the aggregate principal amount of Certificates then Outstanding, provided the Trustee shall have no duty to take such action unless it has been indemnified to its satisfaction against all risk or liability arising from such action.

Section 9.06. Removal of Trustee. Upon thirty (30) days' written notice, the City (so long as no Event of Default shall have occurred and be continuing) or the Owners of at least a majority of the aggregate principal amount of Certificates then Outstanding may, with the consent of the Corporation, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee and the Corporation, and may appoint a successor or successors thereto; provided that any such successor shall be a corporation or association meeting the requirements set forth in Section 9.01 hereof.

Section 9.07. Resignation by Trustee. The Trustee and any successor Trustee may, at any time, resign by giving thirty (30) days' written notice by registered or certified mail to the City and the Corporation.

Section 9.08. Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 9.06 or 9.07 hereof, the City shall promptly appoint a successor Trustee. In the event the City shall, for any reason whatsoever, fail to appoint a successor Trustee within thirty (30) days following the delivery to the Trustee of the instrument described in Section 9.06 hereof or within thirty (30) days following the receipt of notice by the City pursuant to Section 9.07 hereof, the Trustee may apply to a court of



competent jurisdiction at the expense of the City for the appointment of a successor Trustee meeting the requirements of Section 9.01 hereof. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the City purporting to appoint a successor Trustee following the expiration of such thirty (30) day period. The resignation or removal of the Trustee shall not become effective until the appointment and acceptance of the successor Trustee pursuant to Section 9.10 below.

Section 9.09. Merger or Consolidation. Any company or association into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company or association to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company or association shall be eligible under Section 9.01 hereof, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 9.10. Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its or his predecessor and also the Corporation and the City an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the City, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Upon such acceptance, the City shall mail, or cause the mailing of, notice thereof to the Certificate Owners at their respective addresses set forth on the Certificate Register. Should any instrument in writing from the City be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the City. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article IX, shall be filed or recorded by the successor Trustee in each recording office where the Assignment Agreement shall have been filed or recorded, if applicable.

## ARTICLE X

### MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 10.01. Amendments Permitted. This Trust Agreement and the rights and obligations of the Owners of the Certificates and the Installment Sale Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 10.03, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the redemption thereof, without the express consent of the Owner of such Certificate, or (2) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Installment Sale Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in Section 10.02.

This Trust Agreement and the rights and obligations of the Owners of the Certificates and the Installment Sale Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to add to the covenants and agreements of the Corporation or the City, (2) to cure, correct or supplement any ambiguous or defective provision contained herein or therein and which shall not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the Owners of the Certificates, (3) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the Owners of the Certificates; (4) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest component of Installment Payments and the interest payable with respect to the Certificates, (5) to add to the rights of the Trustee, or (6) to maintain the rating or ratings assigned to the Certificates. Any such supplemental agreement shall become effective upon its execution and delivery by the parties hereto or thereto as the case may be.

This Trust Agreement and the Installment Sale Agreement may not be modified or amended at any time by a supplemental agreement which would modify any of the rights and obligations of the Trustee without its written assent thereto.

The Trustee may require an opinion of Independent Counsel that any amendment entered into hereunder complies with the provisions of this Article X and the Trustee may rely conclusively on such opinion.

Section 10.02. Procedure for Amendment with Written Consent of Certificate Owners. This Trust Agreement or the Installment Sale Agreement may be amended by supplemental agreement as provided in this Section 10.02 in the event the consent of the Owners of the Certificates is required pursuant to Section 10.01. A copy of such supplemental agreement, together with a request to the Certificate Owners for their consent thereto, shall be mailed by the Trustee to the Owner of each Certificate at his address as set forth in the Certificate Register,

but failure to mail copies of such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as provided in this Section 10.02.

Such supplemental agreement shall not become effective unless there shall be filed with the Trustee the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 10.03) and a notice shall have been mailed as hereinafter provided in this Section 10.02. Each such consent shall be effective only if accompanied by proof of ownership of the Certificates for which such consent is given, which proof shall be such as is permitted by Section 2.11. Any such consent shall be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee within five (5) Business Days of the date when the notice of consent hereinafter in this Section 10.02 provided for has been mailed. Any revocation received by the Trustee later than five (5) Business Days after such notice has been mailed shall be of no force and effect.

After the Owners of the required percentage of Certificates shall have filed their consents to such supplemental agreement, the Trustee shall mail a notice to the Owners of the Certificates in the manner hereinbefore provided in this Section 10.02 for the mailing of such supplemental agreement at the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in this Section 10.02 (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section 10.02 to be filed with the Trustee, shall be conclusive proof of the matters therein stated until the contrary is proved. Such supplemental agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Certificates at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60) day period.

Section 10.03. Disqualified Certificates. Certificates owned or held by or for the account of the City or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the City (except any Certificates held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in this Trust Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Trust Agreement; *provided, however,* that the Trustee shall not be liable for determining whether Certificates are owned or held by the City or any such other person unless such Certificates are registered in the name of the City or such other person on the Registration Books.

Section 10.04. Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to this Article X, this Trust Agreement or the Installment Sale Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Certificates Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the terms and conditions of this Trust Agreement or the Installment Sale Agreement, as the case may be, for any and all purposes.

The City may adopt appropriate regulations to require each Certificate Owner, before his consent provided for in this Article X shall be deemed effective, to reveal the Certificates as to which such consent is given are disqualified as provided in Section 10.03.

Section 10.05. Endorsement or Replacement of Certificates Delivered After Amendments. The City may determine that Certificates delivered after the effective date of any action taken as provided in this Article X shall bear a notation, by endorsement or otherwise, in form approved by the Trustee, as to such action. In that case, upon demand of the Owner of any Certificate Outstanding at such effective date and presentation of his Certificate for the purpose at the Principal Corporate Trust Office, a suitable notation shall be made on such Certificate. The City may determine that new Certificates, so modified as in the opinion of the City is necessary to conform to such Certificate Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such new Certificate shall be exchanged in the Principal Corporate Trust Office, without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Certificate.

Section 10.06. Amendatory Endorsement of Certificates. The provisions of this Article X shall not prevent any Certificate Owner from accepting any amendment as to the particular Certificates held by him, provided that due notification thereof is made on such Certificates.

ARTICLE XI  
COVENANTS

Section 11.01. Compliance With and Enforcement of Installment Sale Agreement. The City and the Corporation covenant and agree with the Owners of the Certificates to perform all obligations and duties imposed on them under the Installment Sale Agreement and this Trust Agreement.

The City or the Corporation, immediately upon receiving or giving any notice or communication or other document in any way relating to or affecting their respective interests in the Property which may or can in any manner affect such interest, will deliver the same, or a copy thereof, to the Trustee.

The City will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Installment Sale Agreement by the Corporation thereunder.

Section 11.02. Payment of Taxes. The City will, subject to any right of challenge thereof, pay or cause to be paid all taxes, assessments and other governmental charges, if any, that may be levied, assessed or charged upon the Property or any part thereof, promptly as and when the same shall become due and payable; and the City will keep the Trustee advised in writing of such payments. The City will not suffer the Property, or any part thereof, to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor.

Section 11.03. Observance of Laws and Regulations. The City will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it with respect to the Sewer System by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City with respect to the Sewer System to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 11.04. Prosecution and Defense of Suits. The City shall promptly, upon request of the Trustee or any Certificate Owner holding at least 25% in principal amount of the Certificates from time to time, take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Property, whether now existing or hereafter developing and shall, to the extent permitted by law, prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee and every Certificate Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

Section 11.05. Further Assurances. The Corporation, the City and the Trustee (at the cost and request of the City or the Corporation) will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement, and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided herein.

Section 11.06. Filing. The City shall be responsible for the filing of any supplemental instruments or documents of further assurance as may be required by law in order to perfect or renew the security interests created by this Trust Agreement. Neither the Trustee nor the Corporation shall be responsible for such filing.

Section 11.07. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificates. Notwithstanding any other provision of this Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee, at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Certificates, shall, but only to the extent moneys or other indemnity, satisfactory to the Trustee, has been furnished to the Trustee to hold it harmless from any loss, costs, liability or expense, including fees and expenses of its attorneys and any additional fees of the Trustee or any holder or beneficial owner of the Certificates may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Section 11.08. No Arbitrage. The City shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Certificates or the Installment Sale Agreement to be "arbitrage bonds" within the meaning of section 148 of the Code.

Section 11.09. Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

Section 11.10. Rebate Requirement. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government. The trustee shall not be responsible to enforce compliance by the City with such rebate requirements.

## ARTICLE XII

### LIMITATION OF LIABILITY

Section 12.01. Limited Liability of City. Except for the payment of Installment Payments and Prepayments when due in accordance with the Installment Sale Agreement and the performance of the other covenants and agreements of the City contained in said Agreement, the City shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Installment Payments to the Owners by the Trustee except as expressly set forth herein.

Section 12.02. No Liability of the Corporation for Trustee Performance. Neither the City nor the Corporation shall have any obligation or liability to the other party or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon the Trustee under this Trust Agreement.

Section 12.03. Indemnification of Trustee. The City shall to the extent permitted by law indemnify and save the Trustee, its officers, employees, directors and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses (including allocated costs of in-house counsel), arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on, the Property by the Corporation or the City, (ii) any breach or default on the part of the Corporation or the City in the performance of any of their respective obligations under the Installment Sale Agreement, this Trust Agreement and any other agreement made and entered into for purposes of the Property, (iii) any act of the Corporation or the City or of any of their respective agents, contractors, servants, employees or licensees with respect to the Property, (iv) any act of any assignee of, or purchaser from the Corporation or the City or of any of its or their respective agents, contractors, servants, employees or licensees with respect to the Property, (v) the acquisition, construction, installation and equipping of the Property or the authorization of payment of Project Costs or Delivery Costs, (vi) the actions of any other party, including but not limited to the ownership, operation or use of the Property by the Corporation or the City, (vii) the Trustee's exercise and performance of its powers and duties hereunder or pursuant to the Assignment Agreement and the Installment Sale Agreement, (viii) the offering and sale of the Certificates, or (ix) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, in any official statement or other offering document utilized in connection with the sale of the Certificates. No indemnification will be made under this Section 12.03 or elsewhere in this Trust Agreement for willful misconduct or negligence under this Trust Agreement by the Trustee, its officers or employees. The City's obligations hereunder shall remain valid and binding notwithstanding maturity and payment of the Certificates or resignation or removal of the Trustee.

Section 12.04. Limitation of Rights to Parties and Certificate Owners. Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the City, the Corporation, the Trustee, the Municipal Bond Insurer and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the City, the Corporation, the Trustee, the Municipal Bond Insurer and said Owners.

## ARTICLE XIII

### EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Section 13.01. Assignment of Rights. Pursuant to the Assignment Agreement, the Corporation transfers, assigns and sets over to the Trustee all of the Corporation's rights under the Installment Sale Agreement (excepting only the Corporation's rights under Sections 5.06, 7.03 and 10.04 thereof), including without limitation the Corporation's rights to exercise such rights and remedies conferred on the Corporation pursuant to the Installment Sale Agreement as may be necessary or convenient (i) to enforce payment of the Installment Payments, Prepayments and any other amounts required to be deposited in the Installment Payment Fund or the Insurance and Condemnation Fund, and (ii) otherwise to exercise the Corporation's rights and take any action to protect the interests of the Trustee or the Certificate Owners in an Event of Default.

Section 13.02. Remedies. If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may exercise any and all remedies available hereunder pursuant to law or granted pursuant to the Installment Sale Agreement.

Upon the occurrence of an Event of Default, the Trustee may, and shall, at the written direction of the Owners of a majority of the principal amount of Certificates then Outstanding, by written notice to the City, declare the principal of the Installment Payments to be immediately due and payable, whereupon that portion of the principal of the Installment Sale Agreement thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Trust Agreement or in the Installment Payments to the contrary notwithstanding, but subject to the rights of the Municipal Bond Insurer in Article XIV hereof.

Remedies shall be cumulative with respect to the Trustee and the Owners. If any remedial action is discontinued or abandoned, the Trustee and the Owners shall be restored to their former positions.

Section 13.03. Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article XIII or of Article IX of the Installment Sale Agreement, shall be applied by the Trustee in the order following upon presentation of the several Certificates and the stamping thereon of the payment if only partially paid or upon the surrender thereof if fully paid -

*First*, to the payment of the costs and expenses of the Trustee hereunder (including, but not limited to, the fees, costs and expenses of itself and its counsel) and, after such payment to the Trustee, of the Certificate Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel (including the allocated costs of in-house counsel), together with interest on all such amounts advanced as provided in Section 9.02;

*Second*, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the rate or rates specified in the respective Certificates (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case



such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

*Third:* To the payment of amounts due to the Municipal Bond Insurer not payable pursuant to *First* or *Second* above.

Section 13.04. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual to enforce any of its rights or duties hereunder.

Section 13.05. Non-waiver. Nothing in this Article XIII or in any other provision of this Trust Agreement, or in the Certificates, shall affect or impair the obligation of the City, which is absolute and unconditional subject to Section 4.05 of the Installment Sale Agreement, to pay or prepay the Installment Payments as provided in the Installment Sale Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Certificate Owners to institute suit to enforce such payment. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article XIII to the Trustee or to the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificate Owners.

Section 13.06. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Certificate Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Section 13.07. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Certificates then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however,* that the Trustee shall not, unless there no longer continues an Event of Default hereunder, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of at least a majority in principal amount of the Certificates Outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Section 13.08. Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the

Owners of at least a majority in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Certificates of any remedy hereunder; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by his or their action to enforce any right under this Trust Agreement, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Installment Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section 13.08 or any other provision of this Trust Agreement.

Section 13.09. Parties Interested Herein. Nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Corporation, the Trustee, the Municipal Bond Insurer, their officers, employees and agents, and the Owners any right, remedy or claim under or by reason of this Trust Agreement, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Trust Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Corporation, the Trustee, the Municipal Bond Insurer, their officers, employees and agents, and the Owners.

ARTICLE XIV

PROVISIONS RELATING TO THE MUNICIPAL  
BOND INSURER AND THE MUNICIPAL BOND  
INSURANCE POLICY

Section 14.01. Notices and Other Information.

(a) The City will provide the Municipal Bond Insurer with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Certificate and (ii) to the Owners or the Trustee under this Trust Agreement or the Installment Sale Agreement.

The notice address of the Municipal Bond Insurer is: \_\_\_\_\_, Attention: \_\_\_\_\_, Re: Municipal Bond Insurance Policy No. \_\_\_\_ and Reserve Policy No. \_\_\_\_\_. If such communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel of the Municipal Bond Insurer and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(b) The Municipal Bond Insurer shall have the right to receive such additional information as it may reasonably request.

(c) The City will permit the Municipal Bond Insurer to discuss the affairs, finances and accounts of the City or any information the Municipal Bond Insurer may reasonably request regarding the security for the Certificates with appropriate officers of the City, and the City will use best efforts to enable the Municipal Bond Insurer to have access to the facilities, books and records of the City on any Business Day upon reasonable prior notice.

(d) The Trustee shall notify the Municipal Bond Insurer of any failure of the City to provide notices, certificates and other information required to be provided under this Trust Agreement or the Installment Sale Agreement.

Section 14.02. Defeasance.

(a) The investments in any defeasance escrow relating to the Certificates shall be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise may be authorized under State law and approved by the Municipal Bond Insurer.

(b) At least three (3) Business Days prior to any defeasance with respect to the Certificates, the City shall deliver to the Municipal Bond Insurer and the Trustee draft copies of an escrow agreement, an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Certificates, and a verification report (a "Verification Report") prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and Verification Report shall be addressed to the Municipal Bond Insurer and shall be in form and substance satisfactory to the Municipal Bond Insurer. In addition, the escrow agreement shall provide that any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report and the prior written consent of the Municipal Bond Insurer, which consent will not be unreasonably withheld.

(c) The City will not exercise any optional redemption of the Certificates secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions

unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to the Municipal Bond Insurer a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(d) The City shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Municipal Bond Insurer.

Section 14.03. Trustee-Related Provisions.

(a) The Municipal Bond Insurer shall receive written notice of any name change of the Trustee or the resignation or removal of the Trustee. Any successor trustee must be (i) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (ii) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (c) otherwise approved by the Municipal Bond Insurer in writing.

(b) No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Municipal Bond Insurer, shall be qualified and appointed.

(c) The Trustee may be removed at any time at the request of the Municipal Bond Insurer for any breach of its obligations under this Trust Agreement.

Section 14.04. Amendments and Supplements. The Municipal Bond Insurer's prior written consent is required for all amendments and supplements to the Installment Sale Agreement and this Trust Agreement, with the exceptions noted below. The City shall send copies of any such amendments or supplements to the Municipal Bond Insurer and the rating agencies which have assigned a rating to the Certificates.

(a) *Consent of the Municipal Bond Insurer.* Any amendments or supplements to the Installment Sale Agreement or this Trust Agreement shall require the prior written consent of the Municipal Bond Insurer with the exception of amendments or supplements:

(i) to cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the therein or in any supplement thereto, or

(ii) to grant or confer upon the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners, or

(iii) to add to the covenants and agreements of the City in the Installment Sale Agreement other covenants and agreements thereafter to be observed by the City or to surrender any right or power therein reserved to or conferred upon the City.

(b) *Consent of the Municipal Bond Insurer in Addition to Owner Consent.* Any amendment, supplement, modification to, or waiver of, any of the Installment Sale Agreement or this Trust Agreement that requires the consent of Owners or adversely affects the rights or interests of the Municipal Bond Insurer shall be subject to the prior written consent of the Municipal Bond Insurer.

(c) *Consent of the Municipal Bond Insurer in the Event of Insolvency.* Any reorganization or liquidation plan with respect to the City must be acceptable to the Municipal Bond Insurer. In

the event of any reorganization or liquidation of the City, the Municipal Bond Insurer shall have the right to vote on behalf of all Owners absent a continuing failure by the Municipal Bond Insurer to make a payment under the Municipal Bond Insurance Policy.

(d) *Consent of the Municipal Bond Insurer Upon Default.* Anything in the Installment Sale Agreement and this Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of a default or an Event of Default, the Municipal Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners under the Installment Sale Agreement and this Trust Agreement. No default or Event of Default may be waived without the Municipal Bond Insurer's written consent. The maturity of Certificates shall not be accelerated without the consent of the Municipal Bond Insurer and in the event the maturity of the Certificates is accelerated, the Municipal Bond Insurer may elect, in its sole discretion, to pay accelerated principal, and interest accrued on such principal, to the date of acceleration (to the extent unpaid by the City) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Municipal Bond Insurer's obligations under the Municipal Bond Insurance Policy with respect to such Certificates shall be fully discharged.

(e) *The Municipal Bond Insurer as Owner.* Upon the occurrence and continuance of a default or an Event of Default, the Municipal Bond Insurer shall be deemed to be the sole owner of the Certificates for all purposes, including, without limitations, for purposes of exercising remedies and approving amendments.

(f) *Grace Period for Payment Defaults.* No grace period shall be permitted for payment defaults under the Installment sale Agreement. No grace period for a covenant default shall exceed 30 days without the prior written consent of the Municipal Bond Insurer.

(g) *Special Provisions for Insurer Default.* If an Insurer Default (hereinafter defined) shall occur and be continuing, then, notwithstanding anything in paragraphs (a)-(e) above to the contrary, (i) if at any time prior to or following an Insurer Default, the Municipal Bond Insurer has made payment under the Municipal Bond Insurance Policy, to the extent of such payment the Municipal Bond Insurer shall be treated like any other Owner for all purposes, including giving of consents, and (ii) if the Municipal Bond Insurer has not made any payment under the Municipal Bond Insurance Policy, the Municipal Bond Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Municipal Bond Insurer makes a payment under of the Municipal Bond Insurance Policy, in which event, the foregoing clause (i) shall control. For purposes of this paragraph, "Insurer Default" means: (1) the Municipal Bond Insurer has failed to make any payment under the Municipal Bond Insurance Policy when due and owing in accordance with its terms; or (2) the Municipal Bond Insurer shall (A) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (B) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (C) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (D) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (E) make a general assignment for the benefit of creditors, or (F) take action for the purpose of effecting any of the foregoing; or (3) any state or federal agency or instrumentality shall order the suspension of payments on the Municipal Bond Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Municipal Bond Insurer (including without limitation under the New York Insurance Law).

(h) *Reserve Fund.*

(i) The prior written consent of the Municipal Bond Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Reserve Fund, if any. Amounts on deposit in the Reserve Fund shall be applied solely to the payment of principal and interest due with respect to the Certificates.

(ii) Unless the Municipal Bond Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Project Fund shall not be disbursed, but shall instead be applied to the payment of principal, interest or redemption price due with respect to the Certificates.

(i) *Exercise of Rights by the Municipal Bond Insurer.* The rights granted to the Municipal Bond Insurer under the Installment Sale Agreement and/or this Trust Agreement to request, consent to or direct any action are rights granted to the Municipal Bond Insurer in consideration of its issuance of the Municipal Bond Insurance Policy. Any exercise by the Municipal Bond Insurer of such rights is merely an exercise of the Municipal Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Owners of the Certificates and such action does not evidence any position of the Municipal Bond Insurer, affirmative or negative, as to whether the consent of the Owners of the Certificates or any other person is required in addition to the consent of the Municipal Bond Insurer.

The Municipal Bond Insurer shall be entitled to pay principal or interest with respect to the Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy), and any amounts due on the Certificates as a result of acceleration of the maturity thereof, whether or not the Municipal Bond Insurer has received a claim upon the Municipal Bond Insurance Policy.

Section 14.05. Municipal Bond Insurer as Third Party Beneficiary. The Municipal Bond Insurer is explicitly recognized as being a third party beneficiary hereunder and may enforce such right, remedy or claim conferred, given or granted hereunder.

Section 14.06. Payment Procedure Under the Municipal Bond Insurance Policy.

(a) In the event that principal and/or interest due with respect to the Certificates shall be paid by the Municipal Bond Insurer pursuant to the Municipal Bond Insurance Policy, the Certificates shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the City to the Owners shall continue to exist and shall run to the benefit of the Municipal Bond Insurer, and the Municipal Bond Insurer shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Certificates.

(b) In the event that on the second (2nd) Business Day prior to any Interest Payment Date, the Trustee has not received sufficient moneys to pay all principal of and interest due with respect to the Certificates on such Interest Payment Date, the Trustee shall immediately notify the Municipal Bond Insurer or its designee on the same Business Day, by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the Interest Payment Date, the Trustee shall so notify the Municipal Bond Insurer or its designee.

(c) In addition, if the Trustee has received written notice that any holder of the Certificates has been required to disgorge payments of principal of or interest on the Certificates pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Trustee shall notify the Municipal Bond Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Municipal Bond Insurer.

(d) The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for the Owners as follows:

(i) If there is a deficiency in amounts required to pay interest and/or principal with respect to the Certificates, the Trustee shall (A) execute and deliver to the Municipal Bond Insurer, in form satisfactory to the Municipal Bond Insurer, an instrument appointing the Municipal Bond Insurer as agent and attorney-in-fact for such Owners in any legal proceeding related to the payment and assignment to the Municipal Bond Insurer of the claims for interest with respect to the Certificates, (B) receive, as designee of the respective Owners (and not as Trustee), in accordance with the tenor of the Municipal Bond Insurance Policy, payment from the Municipal Bond Insurer with respect to the claims for interest so assigned, and (C) disburse the same to such respective Owners; and

(ii) If there is a deficiency in amounts required to pay principal with respect to the Certificates, the Trustee shall (A) execute and deliver to the Municipal Bond Insurer, in form satisfactory to the Municipal Bond Insurer, an instrument appointing the Municipal Bond Insurer as agent and attorney-in-fact for such Owner in any legal proceeding related to the payment of such principal and an assignment to the Municipal Bond Insurer of the Certificates surrendered to the Municipal Bond Insurer, (B) receive, as designee of the respective Owners (and not as Trustee), in accordance with the tenor of the Municipal Bond Insurance Policy, payment therefore from the Municipal Bond Insurer, and (C) disburse the same to such Owners. The Trustee shall designate any portion of payment of principal with respect to Certificates paid by the Municipal Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Certificates registered to the then current Owner, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Municipal Bond Insurer, registered in the name directed by the Municipal Bond Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the City or the City with respect to any Bond or the subrogation or assignment rights of the Municipal Bond Insurer.

Payments with respect to claims for interest and principal with respect to Certificates disbursed by the Trustee from proceeds of the Municipal Bond Insurance Policy shall not be considered to discharge the obligation of the City with respect to such Certificates, and the Municipal Bond Insurer shall become the owner of such unpaid Certificates and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

(e) Irrespective of whether any such assignment is executed and delivered, the City and the Trustee agree for the benefit of the Municipal Bond Insurer that:

(i) They recognize that to the extent the Municipal Bond Insurer makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal or interest with respect to the Certificates, the Municipal Bond Insurer will be subrogated to the rights of such Owners to receive the amount of such principal and interest from the City, with interest thereon, as provided and solely from the sources stated in the Installment Sale Agreement and this Trust Agreement; and

(ii) They will accordingly pay to the Municipal Bond Insurer the amount of such principal and interest, with interest thereon as provided in the Installment Sale Agreement and this Trust Agreement, but only from the sources and in the manner provided therein for the payment of principal and interest with respect to the Certificates to Owners, and will otherwise treat the Municipal Bond Insurer as the owner of such rights to the amount of such principal and interest.

Section 14.07. Additional Payments. The City agrees unconditionally that it will pay or reimburse the Municipal Bond Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Municipal Bond Insurer may pay or incur, including, but not limited to, fees and expenses of the Municipal Bond Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Installment Sale Agreement and this Trust Agreement ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Municipal Bond Insurer spent in connection with the actions described in the preceding sentence. The City agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Municipal Bond Insurer until the date the Municipal Bond Insurer is paid in full.

Notwithstanding anything herein to the contrary, the City agrees to pay to the Municipal Bond Insurer (i) a sum equal to the total of all amounts paid by the Municipal Bond Insurer under the Municipal Bond Insurance Policy (the "Municipal Bond Insurer Policy Payments"); and (ii) interest on such the Municipal Bond Insurer Policy Payments from the date paid by the Municipal Bond Insurer until payment thereof in full by the City, payable to the Municipal Bond Insurer at the Late Payment Rate per annum (collectively, "the Municipal Bond Insurer Reimbursement Amounts") compounded semi-annually. The City hereby covenants and agrees that the Municipal Bond Insurer Reimbursement Amounts are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the payment of Installment Payments on a parity with the Installment Payments.

## ARTICLE XV

### MISCELLANEOUS

Section 15.01. Defeasance. If all Outstanding Certificates shall be paid and discharged in any one or more of the following ways:



(a) by well and truly paying or causing to be paid the principal with respect to and interest with respect to all Certificates Outstanding, as and when the same become due and payable;

(b) by depositing with the Trustee or an escrow agent, in trust, at or before maturity, money which, together with the amounts then on deposit in the Installment Payment Fund, is fully sufficient to pay all Certificates Outstanding, including all principal and interest;

(c) by irrevocably depositing with the Trustee or an escrow agent (on terms satisfactory to the Trustee), in trust, cash or Defeasance Obligations in such amount as an independent nationally recognized certified public accountant shall determine in a written report delivered to the Trustee or escrow agent will, together with the interest to accrue thereon and moneys then on deposit in the Installment Payment Fund, if required, together with the interest to accrue thereon, be fully sufficient to pay and discharge all Certificates (including all principal and interest) at or before their respective maturity dates; or

(d) by depositing with the Trustee or an escrow agent, under an escrow deposit and trust agreement, security for the payment of Installment Payments as more particularly described in Section 10.05 of the Installment Sale Agreement, said security to be held by the Trustee, as agent for City, and to be applied by the Trustee to Installment Payments representing the obligation of the City under the Installment Sale Agreement, as described in Section 10.05 of the Installment Sale Agreement;

notwithstanding that any Certificates shall not have been surrendered for payment, all rights hereunder of the Owners of the Certificates and all obligations of the Corporation, the Trustee and the City under this Trust Agreement with respect to all Outstanding Certificates shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Installment Payments paid by or on behalf of the City from deposits pursuant to paragraphs (b) through (d) of this Section 15.01, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) through (d) of this Section 15.01, the Certificates shall continue to represent direct, undivided and fractional interests of the Owners thereof in Installment Payments under the Installment Sale Agreement.

Any funds held by the Trustee or an escrow agent, at the time of one of the events described above in subsections (a) through (d) above, which are not required for the payment to be made to Owners, or for payments to be made to the Trustee by the City (including attorneys' fees, including those allocated to in-house counsel), shall be paid over to the City.

Section 15.02. Records. The Trustee shall keep complete and accurate records of all moneys received and disbursed under this Trust Agreement, which shall be available for inspection by the City, the Corporation, and the Owners of not less than 10% in aggregate principal amount of the Certificates Outstanding, or the agent of any of them, upon reasonable prior notice and during regular business hours.

Section 15.03. Notices. All written notices to be given under this Trust Agreement shall be given by facsimile or by mail first class, postage prepaid, to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other parties in writing from time to time. Any such notice shall be deemed to have been received 48 hours after deposit in the United States mail, with postage fully prepaid.

If to the Corporation: Public Property Financing Corporation of California  
2945 Townsgate Road, Suite 200  
Westlake Village, CA 91361  
Attention: Treasurer  
Phone: (805) 267-7140

If to the City: City of Willows  
201 North Lassen Street  
Willows, CA 95988  
Attention: City Manager  
Telephone: (559) 782-7466

If to the Trustee: U.S. Bank National Association  
One California Street, Suite 1000  
San Francisco, CA 94111  
Attention: Global Corporate Trust  
Telephone: (415) 677-3699

If to the Municipal Bond Insurer: See Section 14.01

The City, the Corporation, the Municipal Bond Insurer and the Trustee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Notwithstanding the foregoing provisions of this Section 15.03, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

Section 15.04. Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State.

Section 15.05. Binding Effect; Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Whenever in this Trust Agreement the Corporation, the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Trust Agreement contained by or on behalf of the Corporation, the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 15.06. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 15.07. Destruction of Canceled Certificates. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trustee and the delivery to the City of any Certificates, the Trustee may, in lieu of such cancellation and delivery, destroy such Certificates and, upon request of the City, deliver a certificate of such destruction to the City.

Section 15.08. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement. All references herein to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 15.09. Limitation of Rights to Parties and Certificates Owners. Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give to any person other than the Corporation, the City, the Trustee, the Municipal Bond Insurer and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Corporation, the City, the Trustee, the Municipal Bond Insurer and the Owners of the Certificates delivered hereunder.

Section 15.10. Waiver of Notice. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 15.11. Payment of Unclaimed Moneys. Notwithstanding any provisions of this Trust Agreement, any moneys held by the Trustee in trust for the payment of the principal or interest due with respect to any Certificates and remaining unclaimed after two (2) years, shall, on such date, be repaid to the City free from the trusts created by this Trust Agreement and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however,* that before the repayment of such moneys to the City as aforesaid, the Trustee may (at the cost and request of the City) first mail to the Owners to whom such amounts have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the amounts so payable and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof. The Trustee shall not be liable for any interest on funds held by it. The City shall not be liable for any interest on the sums paid to it pursuant to this Section 15.11 and shall not be regarded as a trustee of such money.

Section 15.12. Separability of Invalid Provisions. In case any one or more of the provisions contained in this Trust Agreement or in the Certificates shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

IN WITNESS WHEREOF, the parties have executed this Trust Agreement as of the date and year first above written.

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

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

PUBLIC PROPERTY FINANCING  
CORPORATION OF CALIFORNIA

By \_\_\_\_\_  
Stefan A. Morton  
Treasurer

CITY OF WILLOWS

By \_\_\_\_\_  
Marti Brown  
Interim City Manager

## EXHIBIT A

### DEFINITIONS

*"Assignment Agreement"* means the agreement by that name, dated as of December 1, 2021, by and between the Corporation and the Trustee, together with any amendments or supplements thereto.

*"Business Day"* means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the state in which the Principal Corporate Trust Office is located are closed or are required to close or a day on which the New York Stock Exchange is closed.

*"Certificate Register"* means the registration books relating to the Certificates maintained by the Trustee in accordance with Section 2.12 of the Trust Agreement.

*"Certificates"* means the certificates of participation executed and delivered pursuant to the Trust Agreement.

*"City"* means the City of Willows, California, a municipal corporation and general law city duly organized and existing under the Constitution and laws of the State.

*"City Representative"* means the Mayor, the City Manager, the Finance Director, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the City under or with respect to the Installment Sale Agreement and the Trust Agreement.

*"Closing Date"* means December 22, 2021, the date upon which there is a physical delivery of the Certificates in exchange for the amount representing the purchase of the Certificates by the Original Purchaser.

*"Code"* means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Installment Sale Agreement or the Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Code.

*"Debt Service"* means the scheduled amount of interest and amortization of principal payable with respect to the Certificates during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning or during such period.

*"Defeasance Obligations"* means:

- (a) cash;
- (b) non-callable Federal Securities (including State and Local Government Securities);
- (c) direct obligations of the United States of America which have been stripped by the Department of the Treasury of the United States of America;

(d) CATS, TIGRS and similar securities;

(e) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America: (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) participation certificates of the General Services Administration; (v) guaranteed Title XI financings of the U.S. Maritime Administration; (vi) New Communities debentures; (vii) U.S. government guaranteed public housing notes and bonds; and (viii) project notes and local authority bonds of the U.S. Department of Housing and Urban Development; and

(f) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P; provided, however, pre-refunded municipal bonds rated by S&P only (i.e., no Moody's rating) are acceptable if such pre-refunded municipal bonds were pre-refunded with cash, direct U.S. or U.S. guaranteed obligations or AAA rated pre-refunded municipal bonds.

*"Delivery Costs"* means all items of expense directly or indirectly payable by or reimbursable to the City or the Corporation relating to the execution and delivery of the Installment Sale Agreement, the Trust Agreement and the Assignment Agreement or the execution, sale and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, costs for statistical data, initial fees and charges of the Trustee (including the fees and expenses of its counsel), financing discounts, legal fees and charges, insurance fees and charges (including title insurance), financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates, the premiums for the Municipal Bond Insurance Policy and the Reserve Policy and charges and fees in connection with the foregoing.

*"Delivery Costs Fund"* means the fund by that name established pursuant to Article III of the Trust Agreement and held by the Trustee.

*"Enterprise"* means any and all properties and assets, real and personal, tangible and intangible, of the City, now or hereafter existing, used or pertaining to the disposal or reuse of sewer, including sewage treatment plants, intercepting and collecting sewers, outfall sewers, force mains, pumping stations, ejector stations, pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, treatment, purification or disposal of sewage, and any necessary lands, rights of way and other real or personal property useful in connection therewith, including all additions, extensions, expansions, improvements and betterments thereto and equipments thereof.

*"Event of Default"* means an event of default under the Installment Sale Agreement, as defined in Section 9.01 thereof.

*"Fair Market Value"* means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply

contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security—State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

*"Federal Securities"* means direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury) or obligations the payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

*"Fiscal Year"* means any period of twelve (12) consecutive months established by the City as its fiscal year and shall initially mean the period commencing July 1 of one year and ending on June 30 of the following year.

*"Gross Revenues"* means all gross charges received for, and all other gross income and receipts derived by the City from, the ownership and operation of the Enterprise or otherwise arising from the Enterprise, including but not limited to investment earnings thereon; but excluding (a) the proceeds of any *ad valorem* property taxes levied for the purpose of paying general obligation bonds of the City relating to the Enterprise, (b) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Enterprise; and (c) customers' deposits or any other deposits subject to refund until such deposits have become the property of the City, or contributions in aid of construction.

*"Independent Counsel"* means an attorney or a firm of attorneys duly admitted to the practice of law before the highest court of the state in which he or such firm maintains an office and who is not an employee of the Corporation, the Trustee or the City.

*"Information Services"* means the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>) or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information or disseminating notices of redemption of obligations similar to the Certificates.

*"Installment Payment"* means any payment required to be paid by the City to the Corporation pursuant to Section 4.04 of the Installment Sale Agreement.

*"Installment Payment Date"* means March 15 and September 15 of each year, commencing March 15, 2022.

*"Installment Payment Fund"* means the fund by that name established and held by the Trustee pursuant to Article V of the Trust Agreement.

*"Installment Sale Agreement"* means the agreement by that name, dated as of December 1, 2021, by and between the Corporation and the City, and any duly authorized and executed amendment or supplement thereto.

*"Insurance and Condemnation Fund"* means the fund by that name established pursuant to Article VII of the Trust Agreement and held by the Trustee.

*"Interest Payment Date"* means the 1st day of each April and October, commencing April 1, 2022.

*"Late Payment Rate"* means the lesser of (x) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3% (or, with respect to the Reserve Policy only, 5%), and (ii) the then applicable highest rate of interest with respect to the Certificates and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Municipal Bond Insurer shall specify.

*"Moody's"* means Moody's Investors Service, New York, New York, or its successors.

*"Municipal Bond Insurance Policy"* means the municipal bond insurance policy issued by the Municipal Bond Insurer guaranteeing the payment, when due, of the principal and interest with respect to the Certificates.

*"Municipal Bond Insurer"* means \_\_\_\_\_, or any successor thereto or assigns thereof.

*"Net Proceeds"* means any insurance proceeds or condemnation award paid with respect to the Project, remaining after payment therefrom of all expenses incurred in the collection thereof.

*"Net Revenues"* means Gross Revenues less Operation and Maintenance Expenses.

*"Operation and Maintenance Costs"* means the reasonable and necessary costs and expenses paid by the City for maintaining and operating the Enterprise, including but not limited to (a) costs of electricity and other forms of energy supplied to the Enterprise, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order, (c) the reasonable administrative costs of the City attributable to the operation and maintenance of the Enterprise; but in all cases excluding (i) debt service payable on all other obligations incurred by the City with respect to the Enterprise including but not limited to the Installment Payments and any Parity Obligations, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

*"Original Purchaser"* means the first purchaser of the Certificates upon their delivery by the Trustee on the Closing Date.

*"Outstanding"*, when used as of any particular time with respect to Certificates, means (subject to the provisions of Section 9.03 of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

(a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Certificates for the payment or redemption of which funds or eligible securities in the necessary amount, including accrued interest thereon, shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or redemption date of such Certificates), provided that, if such Certificates are to be redeemed prior to maturity, notice of



such redemption shall have been given as provided in Section 4.03 of the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to Section 2.09 of the Trust Agreement.

*"Owner"* or *"Certificate Owner"* or *"Owner of a Certificate"*, or any similar term, means the person in whose name a Certificate shall be registered.

*"Parity Obligations"* means any leases, loan agreements, installment sale agreements, bonds, notes or other obligations of the City payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the Installment Payments, entered into or issued pursuant to and in accordance with Section 4.08 of the Installment Sale Agreement.

*"Permitted Encumbrances"* means, as of any particular time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to provisions of Article V of the Installment Sale Agreement, permit to remain unpaid; (b) the Installment Sale Agreement and the assignment of the Corporation's interests in the Installment Sale Agreement pursuant to the Assignment Agreement; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law and (d) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of the Installment Sale Agreement.

*"Permitted Investments"* means any of the following, but only to the extent that the same are acquired at Fair Market Value, provided that the Trustee is entitled to rely upon any investment direction received by it hereunder as a certification that such investment constitutes a Permitted Investment hereunder:

(a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of which are fully guaranteed by the United States of America or any certificates, receipts, securities or other obligations evidencing ownership or the right to receive a specified portion of payments to be made on any such security;

(b) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Farm Credit Bank, Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Banks, Government National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; or by any agency, department or instrumentality of the United States if such obligations are rated within the top two ratings of a nationally recognized rating service;

(c) bonds of the State or of any county or city or other political subdivision of the State, and other obligations the interest on which is excluded from gross income for federal income tax purposes, for which a nationally recognized rating service is maintaining a rating within the top two ratings of such rating service;

(d) repurchase agreements with banks (including the Trustee), lead banks of parent holding companies, or savings and loan associations, with a combined capital and surplus aggregating at least fifty million dollars (\$50,000,000) and the unsecured securities of which are rated by a nationally recognized rating service within the top two ratings of such rating service,

or secured by a letter of credit issued by such bank, lead bank or savings and loan association, or the underlying securities of which are obligations described in clause (a) or (b) of this definition provided that such collateral security continuously has a market value (valued at least quarterly) at least equal to the repurchase price from time to time payable with respect thereto, so long as such underlying obligations or securities are in the possession of the Trustee and provided further that, as evidenced by an opinion of counsel, the Trustee shall have a perfected security interest in such collateral security, free and clear of any third-party claims;

(e) interest-bearing banker's acceptances, investment agreements, demand or time deposits (including certificates of deposit) and guaranteed investment contracts in or with banks (including the Trustee and its affiliates), and savings and loan associations, provided such deposits are either (i) secured at all times, in the manner and to the extent provided by law, by collateral security (described in clauses (a) or (b) of this definition) of a market value of no less than the amount of moneys so invested or (ii), in or with banks (including the Trustee) or savings and loan associations having a combined capital and surplus of at least fifty million dollars (\$50,000,000) and whose rating, or the rating of its parent holding company, is within the top two ratings of a nationally recognized rating service or (iii) fully insured by the Federal Deposit Insurance Corporation;

(f) Investment agreements with any nationally or state-chartered bank, financial institution, insurance company, trust company, or any other publicly traded corporation which has long-term debt obligations rated in one of the two highest rating categories of a nationally recognized rating service;

(g) taxable money market funds rated in the highest rating category by S&P or whose portfolios are restricted to (i) obligations with maturities of one year or less, issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States of America, or consisting of securities designated in clause (b) of this definition, or (ii) such obligations or repurchase agreements fully collateralized by obligations with an average maturity of one year or less issued or guaranteed as to payment of principal by the full faith and credit of the United States of America if, in the case of this clause (g) only, such portfolio is rated in the top rating category of a national rating agency, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (A) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (B) the Trustee collects fees for services rendered pursuant to this Trust Agreement, which fees are separate from the fees received from such funds, and (C) services performed for such funds and pursuant to this Trust Agreement may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(h) obligations the interest on which is excludable from gross income for purposes of federal income taxation and the timely payment of the principal of and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clause (a), (b) or (e) of this definition (not callable by the issuer thereof prior to maturity) and the trust or escrow instructions for which cannot be amended to provide for redemption of such obligations prior to the date set forth in the trust or escrow agreement governing such deposit and are rated by each rating agency then rating the Bonds in its highest rating category; and

(i) the Local Agency Investment Fund of the State created pursuant to section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

*"Prepayment"* means any payment applied towards the prepayment of the Installment Payments, in whole or in part, pursuant to Article X of the Installment Sale Agreement.

*"Principal Corporate Trust Office"* means the corporate trust office of the Trustee at San Francisco, California, or at such other address designated by the Trustee by written notice filed with the City and the Corporation, except that with respect to presentation of Certificates for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

*"Principal Payment Date"* means October 1 of each year, commencing October 1, 2022.

*"Proceeds,"* when used with reference to the Certificates, means the face amount of the Certificates, plus accrued interest and premium, if any, less original issue discount, if any.

*"Project Costs"* means the costs of the acquisition, construction, rehabilitation, equipping, improvement or financing of improvements to, or part of, the Enterprise constituting the Project.

*"Project Fund"* means the fund by that name established pursuant to Article III of the Trust Agreement and held by the Trustee.

*"Rating Category"* means, with respect to any Permitted Investment, one or more of the generic categories of rating by Moody's and/or S&P applicable to such Permitted Investment, without regard to any refinement or gradation of such rating category by a plus or minus sign.

*"Regular Record Date"* means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

*"Reserve Fund"* means the fund by that name established and held by the Trustee pursuant to Section 6.01 of the Trust Agreement.

*"Reserve Fund Agreement"* means that certain Insurance Agreement, dated November 18, 2021, by and between the City and the Municipal Bond Insurer, relating to the Reserve Policy, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

*"Reserve Policy"* means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Municipal Bond Insurer for deposit in the Reserve Fund in an amount equal to the Reserve Requirement.

*"Reserve Requirement"* means an amount equal to the least of maximum annual Installment Payments, 125% of average annual Installment Payments and 10% of the principal amount of the Certificates, which amount shall be \$ \_\_\_\_\_ on the Closing Date. The amount of the Reserve Requirement shall not be reduced unless the Certificates are partially refunded, in which such amount shall be reduced to an amount equal to maximum annual Installment Payments relating to the Certificates not so refunded, as specified in a certificate of a City Representative delivered to the Trustee.

*"S&P"* means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, New York, New York, or its successors.

*"Securities Depositories"* means The Depository Trust Company, 55 Sewer Street, 50<sup>th</sup> Floor, New York, NY 10041 Attention: Call Notification Department; or to such other addresses and/or such other registered securities depositories holding substantial amounts of obligations of types similar to the Certificates.

*"State"* means the State of California.

*"Subordinate Obligations"* means the obligations of the City under the I-Bank Agreement and any other leases, loan agreements, installment sale agreements, notes or other obligations of the City payable from and secured by a pledge of a lien upon any of the Net Revenue subordinate to the Installment Payments.

*"Term of the Installment Sale Agreement"* means the time during which the Installment Sale Agreement is in effect, as provided in Section 4.03 of the Installment Sale Agreement.

*"Trustee"* means U.S. Bank National Association, or any successor thereto, acting as Trustee pursuant to the Trust Agreement.

*"Trust Agreement"* means the agreement by that name, dated as of December 1, 2021, by and among the Trustee, the Corporation and the City, together with any amendments or supplements thereto permitted to be made thereunder.

*"2007 Certificates"* means the City's outstanding 2007 Certificates of Participation (Sewer Treatment Renovation Project), originally delivered in the principal amount of \$6,889,000, of which \$5,465,000 is currently outstanding.

*"2021 Project"* means the improvements to the Enterprise described in Exhibit B to the Installment Sale Agreement.

*"Written Certificate"* of the City means a written certificate signed in the name of the City by a City Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.03 of the Trust Agreement or Section 1.02 of the Installment Sale Agreement, each such certificate shall include the statements provided for in Section 1.03 of the Trust Agreement or Section 1.02 of the Installment Sale Agreement.

**EXHIBIT B**

**FORM OF CERTIFICATE OF PARTICIPATION**

**CERTIFICATE OF PARTICIPATION  
(2021 Sewer System Financing Project)  
Evidencing a Direct, Undivided Fractional Interest of the  
Owner Hereof in Installment Payments to be Made by the  
CITY OF WILLOWS  
(Glenn County, California)  
As the Purchase Price for Certain Property Pursuant to an  
Installment Sale Agreement with the  
Public Property Financing Corporation of California**

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
_____%	October 1, ____	December 22, 2021	____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

This is to certify that this Certificate of Participation (the "Certificate") evidences a direct, undivided fractional interest in the right to receive certain installment payments (the "Installment Payments") under, and as defined in, that certain Installment Sale Agreement, dated as of December 1, 2021 (the "Installment Sale Agreement"), by and between the Public Property Financing Corporation of California, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the "Corporation"), and the City of Willows, a municipal corporation and general law city organized and existing under the Constitution and laws of the State of California (the "City"). The Installment Payments to be made under the Installment Sale Agreement have been assigned to U.S. Bank National Association, as trustee (the "Trustee"), having an office at which it conducts its corporate trust business in San Francisco, California, or such other office designated by the Trustee from time to time (said office being herein referred to as the "Principal Office"). The Registered Owner stated above, or registered assigns (the "Owner"), is entitled to receive, on the Maturity Date stated above, the Principal Amount stated above, subject to the terms of the Installment Sale Agreement, which represents a portion of the Installment Payments designated as principal coming due on the Installment Payment Date (as defined in the Installment Sale Agreement) immediately preceding the Maturity Date. The Owner is also entitled to receive, subject to the terms of the Installment Sale Agreement, semiannually on each April 1 and October 1, commencing April 1, 2022 (the "Interest Payment Dates"), to and including the Maturity Date or the date of redemption, whichever is earlier, the Owner's fractional share of the Installment Payments designated as interest coming due with respect to each of the Interest Payment Dates; provided, however, that interest with respect to such principal amount shall be payable from the Interest Payment Date next preceding the date of execution of this Certificate unless (i) this

Certificate is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (ii) this Certificate is executed after the close of business on the fifteenth (15th) day of the prior month, in which an Interest Payment Date occurs (the "Record Date") and prior to such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) this Certificate is executed on or before March 15, 2022, in which event interest shall be payable from the Dated Date. Said fractional share of the portion of the Installment Payments designated as interest is the result of the multiplication of the Principal Amount by the Interest Rate per annum stated above. Interest is calculated on the basis of a 360-day year comprised of twelve 30-day months.

Said amounts are payable in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts. The amounts representing principal are payable upon presentation and surrender of this Certificate at the Principal Office and the amounts representing interest are payable by check of the Trustee mailed first class, postage prepaid, on each Interest Payment Date to the Owner of record at the close of business on the Record Date, or by wire transfer at the written request of the Owner of not less than \$1,000,000 principal amount of Certificates received by the Trustee prior to the Record Date.

The City is authorized to enter into the Installment Sale Agreement pursuant to the laws of the State of California and Resolution No. \_\_\_\_ of the City adopted on November 23, 2021. The Corporation has assigned its rights to receive Installment Payments to the Trustee pursuant to an Assignment Agreement, dated as of December 1, 2021, by and between the Corporation and the Trustee (the "Assignment Agreement"), and a Trust Agreement, dated as of December 1, 2021, by and among the Trustee, the Corporation and the City (the "Trust Agreement").

This Certificate has been executed by the Trustee pursuant to the terms of the Trust Agreement. Copies of the Installment Sale Agreement, the Assignment Agreement and the Trust Agreement are on file at the office of the City and at the Principal Office, and reference to the Trust Agreement, the Installment Sale Agreement, the Assignment Agreement and any and all amendments to said agreements is made for a description of the pledges and covenants of the City securing the Installment Payments, the nature, extent and manner of enforcement of such pledges and covenants, the rights and remedies of the registered owners of the Certificates with respect thereto and the terms and conditions upon which the Certificates are delivered thereunder. To the extent and in the manner permitted by the terms thereof, the provisions of the Installment Sale Agreement and the Trust Agreement may be amended by the parties thereto with the written consent of the registered owners of at least sixty percent (60%) in principal amount with respect to the Certificates then outstanding, or without such consent with respect to an amendment not adversely affecting the interests of the registered owners of the Certificates.

The City is obligated under the Installment Sale Agreement to pay Installment Payments from Net Revenues of the Enterprise (as such terms are defined in the Installment Sale Agreement) and certain other sources, all as provided in the Installment Sale Agreement. The obligation of the City to pay the Installment Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to pay Installment Payments does not constitute a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The registration of this Certificate shall be transferable only upon the Certificate registration books, which shall be kept for that purpose at the Principal Office, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee duly executed

by the Owner of this Certificate or his duly authorized attorney. Upon the registration of the transfer and the surrender of this Certificate, the Trustee shall provide, in the name of the transferee, a new fully registered Certificate or Certificates of the same aggregate principal amount and Maturity Date as the surrendered Certificate.

The Certificates are delivered in the form of fully registered Certificates in denominations of \$5,000 each or any integral multiple thereof and upon surrender thereof at the Principal Office with a written request for exchange satisfactory to the Trustee duly executed by the registered owner thereof or his attorney duly authorized in writing, may, at the option of such registered owner thereof, be exchanged for an equal aggregate principal amount of Certificates of any other authorized denominations and of the same Maturity Date.

No transfer or exchange of Certificates shall be required to be made during the fifteen (15) days prior to the date of selection of Certificates for redemption or of any Certificate selected for redemption.

Certificates maturing on or after October 1, \_\_, are subject to redemption in whole or in part on any date on or after October 1, \_\_, at the principal amount with respect thereto, together with accrued interest to the date fixed for redemption from the proceeds of optional prepayments made by the City pursuant to the Installment Sale Agreement, without premium.

The Certificates maturing on October 1, \_\_, are subject to mandatory redemption in part on October 1 in each year on and after October 1, \_\_, to and including October 1, \_\_, from the principal components of scheduled Installment Payments required to be paid by the City pursuant to the Installment Sale Agreement with respect to each such redemption date (subject to abatement, as set forth in the Installment Sale Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year (October 1)	Principal Amount of Certificates to be Redeemed
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†Maturity.

The Certificates maturing on October 1, \_\_, are subject to mandatory redemption in part on October 1 in each year on and after October 1, \_\_, to and including October 1, \_\_, from the principal components of scheduled Installment Payments required to be paid by the City pursuant to the Installment Sale Agreement with respect to each such redemption date (subject to abatement, as set forth in the Installment Sale Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

Year  
(October 1)

Principal Amount of  
Certificates to be Redeemed

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†Maturity.

The Certificates are subject to redemption in whole or in part on any Interest Payment Date from the Net Proceeds of any insurance or condemnation award deposited in the Installment Payment Fund and credited towards the Prepayment made by the City pursuant to the Installment Sale Agreement, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

Notice of redemption, unless waived, is to be given by the Trustee by mailing a redemption notice by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to the registered owner of the Certificate or Certificates to be redeemed at the address shown on the Certificate registration books maintained by the Trustee. Notice of redemption having been given as aforesaid, the Certificates or portions of Certificates so to be redeemed shall, on the redemption date, 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) interest with respect to such Certificates or portions of Certificates shall cease to be payable.

The Trustee has no obligation or liability to the registered owners of the Certificates to make payments of principal or interest with respect to the Certificates, except from funds held by the Trustee under the Trust Agreement. The Trustee's primary obligations are to administer, for the benefit of the registered owners of the Certificates, the various funds and accounts established under the Trust Agreement. The Trustee is not responsible for the recitals of fact in this Certificate.

The City has certified, recited and declared that all acts, conditions and things required by the Constitution and statutes of the State of California, the Installment Sale Agreement and the Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of this Certificate, exist, have happened and have been performed in due time, form and manner as required by law.

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York Corporation ("DTC"), to the City or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity 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.



IN WITNESS WHEREOF, this Certificate has been executed by the manual signature of the Trustee as of the date set forth below.

Execution Date: \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By \_\_\_\_\_  
Authorized Signatory

**FORM OF ASSIGNMENT**

For value received, the undersigned do(es) hereby sell, assign and transfer unto

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Certificate and do(es) hereby irrevocably constitute and appoint

\_\_\_\_\_  
attorney, to transfer the same on the registration books of the Trustee, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
NOTICE: Signature(s) must be guaranteed by an eligible guarantor.

\_\_\_\_\_  
NOTICE: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Certificate in every particular, without alteration or enlargement or any change whatsoever.

**STATEMENT OF INSURANCE**

[TO COME]

Quint & Thimmig LLP

09/15/21  
11/16/21

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**ACQUISITION AGREEMENT**

**Dated as of December 1, 2021**

**by and between the**

**CITY OF WILLOWS, as Seller**

**and the**

**PUBLIC PROPERTY FINANCING CORPORATION OF  
CALIFORNIA, as Purchaser**

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**(2020 Sewer System Financing Project)**

## ACQUISITION AGREEMENT

THIS ACQUISITION AGREEMENT, dated as of December 1, 2021 (this "Acquisition Agreement"), is by and between the CITY OF WILLOWS, a municipal corporation and general law city organized and existing under and by virtue of the laws of the State of California (the "City"), as seller, and the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a corporation organized and existing under and by virtue of the laws of the State of California, as purchaser (the "Corporation");

### WITNESSETH:

WHEREAS, the City presently owns certain municipal sewer system facilities more particularly described in Exhibit A attached hereto and made a part hereof (the "Enterprise");

WHEREAS, the Corporation wishes to acquire the Enterprise from the City for the purpose of providing moneys to finance and refinance improvements to the Enterprise; and

WHEREAS, the Corporation proposes to sell the Enterprise back to the City pursuant to an installment sale agreement, dated as of December 1, 2021, by and between the Corporation and the City (the "Installment Sale Agreement"), and to assign its right to receive installment payments under the Installment Sale Agreement to U.S. Bank National Association, as trustee (the "Trustee"), pursuant to that certain Indenture of Trust, dated as of December 1, 2021, by and between the Corporation and the Trustee;

NOW, THEREFORE, IT IS HEREBY MUTUALLY AGREED, as follows:

*Section 1. Acquisition of the Enterprise.* The City hereby grants, conveys and sells to the Corporation all right, title and interest of the City in and to the Enterprise and the Corporation hereby acquires all of the right, title and interest of the City in the Enterprise.

*Section 2. Acquisition Price.* In consideration of the acquisition by the Corporation of the City's right, title and interest in the Enterprise pursuant to Section 1, the Corporation hereby agrees to pay to the City the amount of \$1.00. Said purchase price shall be paid by the Corporation to the City on the date of execution and delivery of this Acquisition Agreement.

*Section 3. Amendment.* This Acquisition Agreement may be amended by the parties hereto at any time during the Term of the Agreement (as such term is defined in the Installment Sale Agreement).

*Section 4. Waiver of Personal Liability.* All liabilities under this Acquisition Agreement on the part of the Corporation are solely liabilities of the Corporation and the City hereby releases each and every, member, director, officer, employee and agent of the Corporation of and from any personal or individual liability under this Acquisition Agreement. No member, director, officer, employee or agent of the Corporation shall at any time or under any circumstances be individually or personally liable under this Acquisition Agreement for anything done or omitted to be done by the Corporation hereunder.

*Section 5. Section Headings.* All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Acquisition Agreement.

Section 6. Execution. This Acquisition Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original but all together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the City and the Corporation have caused this Acquisition Agreement to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

CITY OF WILLOWS, as Seller

By \_\_\_\_\_  
Marti Brown  
Interim City Manager

PUBLIC PROPERTY FINANCING  
CORPORATION OF CALIFORNIA, as  
Purchaser

By \_\_\_\_\_  
Stefan A. Morton  
Treasurer

**EXHIBIT A**  
**ENTERPRISE DESCRIPTION**

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## CONTINUING DISCLOSURE CERTIFICATE

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This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CITY OF WILLOWS (the "City") in connection with the execution and delivery of \$\_\_\_\_\_ City of Willows Certificates of Participation (2021 Sewer System Financing Project) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2021, by and among U.S. Bank National Association, as trustee (the "Trustee"), the City and the Public Property Financing Corporation of California (the "Trust Agreement"). Pursuant to Section 11.07 of the Trust Agreement, the City covenants and agree as follows:

Section 1. Definitions. In addition to the definitions set forth above and in the Trust Agreement which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means the date that is nine months after the end of the City's Fiscal Year (currently March 31 based on the City's Fiscal Year end of June 30).

"*Dissemination Agent*" shall mean, initially, NBS, or any successor Dissemination Agent designated in writing by the City and which has been filed with the then current Dissemination Agent a written acceptance of such designation.

"*Fiscal Year*" means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the City as its official Fiscal Year period under a Certificate of the City filed with the Trustee.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the City in connection with the issuance of the Certificates.

"*Participating Underwriter*" means Hilltop Securities Inc., the original underwriter of the Certificates.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

"*Significant Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.



Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriter in complying with the Rule.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2022, with the report for Fiscal Year 2020-21 provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 business days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 business days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Significant Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City in a timely manner shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) The City's audited financial statements for the prior Fiscal Year prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the Annual Report Date, financial information and operating data with respect to the City for the

preceding Fiscal Year, substantially similar to that provided in the Official Statement, as follows:

- (i) Customer Accounts;
- (ii) Ten Largest Rate Payers; and
- (iii) Historical Operating Results and debt service coverage.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

#### Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following Significant Events with respect to the Certificates:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) 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;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person;

(xiii) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an 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;

(xiv) Appointment of a successor or additional trustee or Trustee with respect to the Certificates or the change of name of a trustee or Trustee, if material;

(xv) The incurrence of a financial obligation of the City or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City or other obligated person, any of which affect security holders, if material; or

(xvi) A default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City or other obligated person, any of which reflect financial difficulties.

(b) Whenever the City obtains knowledge of the occurrence of a Significant Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Significant Event. Notwithstanding the foregoing, notice of Significant Events described in subsection (a)(viii) above need not be given under this subsection any earlier than the notice (if any) of the underlying event given to holders of affected Certificates.

(c) The City acknowledges that the events described in subparagraphs (a)(ii), (a)(vii), (a)(viii) (if the event is a bond call), (a)(x), (a)(xiii), (a)(xiv) and (a) (xv) of this Section 5 contain the qualifier "if material." The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the City determines the event's occurrence is material for purposes of U.S. federal securities law. The City intends that the words used in paragraphs (xv) and (xvi) and the definition of "financial obligation" to have the meanings ascribed thereto in SEC Release No. 34-83885 (August 20, 2018).

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(xii) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City 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 City, 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 City.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the

Certificates, the City shall give notice of such termination in the same manner as for a Significant Event under Section 5(b).

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the City.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure 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), 4 or 5(a), 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 an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative.

The Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations hereunder.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Significant Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Significant Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to

include any information in any Annual Report or notice of occurrence of a Significant Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Significant Event.

Section 11. Default. If the City fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the Bond holders or any other party. The Dissemination acts hereunder solely for the benefit of the City and this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter or the holders or beneficial owners of the Certificates. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Certificates and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: December 22, 2021

CITY OF WILLOWS

By \_\_\_\_\_  
Interim City Manager

ACKNOWLEDGED:

NBS, as Dissemination Agent

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

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: City of Willows

Name of Issue: \$\_\_\_\_\_ Certificates of Participation (2021 Sewer System Financing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Installment Payments to be made by the City of Willows, as the Purchase Price for Certain Property Pursuant to an Installment Sale Agreement with the Public Property Financing Corporation of California

Date of Issuance: December 22, 2021

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated December 22, 2021, furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by \_\_\_\_\_.

Date: \_\_\_\_\_

NBS, as Dissemination Agent

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



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Date: November 23, 2021  
To: City Council  
From: John Wanger, Interim Public Works Director/City Engineer  
Marti Brown, Interim City Manager  
Subject: Street Excavation Rules

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**Recommendation:**

Adopt the Street Excavation Rules and direct staff to begin implementation of the rules with all new encroachment permits.

**Rationale for Recommendation:**

The streets in the City of Willows are in poor condition. Some street degradation has been the result of excavations and repairs by local utility companies. For example, there is significant data documenting the damage that utility trenching has had on existing pavement. By implementing the proposed Street Excavation Rules, utility companies will be required to appropriately repair pavement when excavations occur. In addition, the impact of utility trenching on City roads will be minimized by implementing these Rules.

**Background:**

In cities throughout the state, utility companies have installed underground facilities that require excavation of pavement. Starting in the early 1990's, a number of larger cities experienced the impacts of utility cuts on city streets and, as a result, conducted studies to assess the damage. In particular, noteworthy studies have been completed by the:

- City of Los Angeles,
- City and County of San Francisco,
- City of Sacramento, and
- City of Santa Cruz.

In all instances, these studies found that utility cuts/trenches have a significant impact to the overall strength of pavement and the lifespan of streets. The findings indicate that utility patches decrease the life of the pavement by at least 25%.

In response to the various reports that have been done over the years, many cities have implemented Street Excavation Rules that require utility companies to properly repair roadways and/or pay higher costs for encroachment permits. In researching the subject, staff has found that requiring the utility companies to repair the roads is much easier and more cost efficient rather than collecting additional fees and putting the burden on the City to restore the pavement with larger paving projects.



### **Discussion & Analysis:**

Utility cuts have definitely had an Impact on City streets. This is visually evident and observed by pavement degradation on streets where water, electric, CATV or gas utilities have been installed and/or replaced. Weakening of the pavement around utility cuts leads to cracking of the adjacent pavement which allows water to pass through the pavement to the underlying soil. In addition, water weakens the underlying soil which leads to overall degradation of the pavement due to traffic loads.

The 2021 Pavement Management Update found that the City's streets are in poor condition. Some of this is due to the lack of maintenance of pavement, but some of it is clearly a result of damage to the roadways due to utility cuts.

The attached Street Excavation Rules should help to remedy damage to City streets. The rules require utility companies to repair pavement based on the overall impact and current condition of the pavement. In a nutshell, the rules require that:

- If a utility trench exceeds 25% of the overall length of a city block, restoration of the affected traffic lanes shall be for the entire length of the block. Depending on the condition of the existing pavement on the particular street, repair methods will either require a slurry seal (if the pavement is in decent condition) or will require the utility company to grind off at least 2" of existing pavement for the width of a travel lane and place new pavement over the entire lane.
- If laterals or services installed by a utility company are less than 50 feet apart, the pavement restoration shall include all of the affected travel lanes for the entire length of the block whenever there are at least 8 laterals and 50% or more of the services are excavated.
- At least a 13-foot-wide pavement repair be required for the length of the trench when the excavation is less than 13 feet from the curb.

Exhibits depicting these requirements can be found in the Standard Details section of the Rules (Attachment 1).

### **Fiscal Impact:**

While implementation of the proposed Street Excavation Rules will not have a direct impact on the City's budget, ultimately, it will save the City considerable monies by requiring utility companies to repair or restore pavement as a result of their utility cuts on City streets. Although a detailed analysis has not yet been completed, staff estimates that many thousands of dollars could be saved annually by approving this new proposed policy.

### **Attachment:**

Attachment 1: Street Excavation Rules



# City of Willows

Office of PUBLIC WORKS • 201 N. Lassen Street  
Willows, CALIFORNIA

## Public Works Standards *STREET EXCAVATION RULES*

## EXCAVATION WORK

The City of Willows has adopted the following regulations pertaining to work by excavators in the right of way.

### Article 1 DEFINITION

#### Section 1 Definition:

"Public Works Agency" or "Public Works" shall mean the same as the Public Works Department. "Agency" shall mean the Public Works Department.

"Drawdown Account" shall mean a pre-paid sum of money to cover the cost of inspections for prolonged work beyond that which a single permit fee may cover. A drawdown account may be established for any entity, private or public. Statement of account will be furnished to the entity on monthly basis or as requested.

"Utility Company" shall mean any public utility company or entity authorize to work in the public right of way under franchise agreement.

"Engineer" shall mean authorized Public Works staff assigned to review and approve permit applications and plans or inspect the work.

"Days" shall mean calendar days.

"WMC" shall mean Willows Municipal Code.

"Excavator" is a utility owner or a designated contractor causing an excavation.

"Permittee" is a utility owner or a designated contractor holding a permit.

"Moratorium Street" paved or resurfaced roadways within 5-years after completion.

"Emergency Work" shall mean work maintaining facilities in public street, alley or public place for the preservation of life or property.

### Article 2 PUBLIC CONVENIENCE AND SAFETY

Section 1 It is unlawful for any person to make or cause excavation to be made in or under the surface of any public street without first obtaining from Public Works Department a written permit to perform excavations. *No work is allowed in any moratorium (recently improved) street without prior written approval from PWA.*

Section 2 Permit and preconstruction notifications. At least two working days before the work starts, Permittee shall give written notice of the time of

commencement of the work to the Director of Public Works (for Utility Company, this notification may be reduced to twenty-four (24) hours). Similar written notice shall be given to Police Department and/or Fire Department, if requested on permit or a proposed temporary street closure. Permittee shall provide written notices to each property owner or business affected by the Permittee's work as follows:

- 72-hr prior notice for work 5 days in duration or less in all locations.
- 10-day prior notice for work 6 days or more in duration in all locations.

In addition to the notifications stated above, the Permittee shall post and maintain proper work signage 72 hours prior to starting work and during work to indicate type of work, hours of work, dates of start and finish, contractor's name, contact information, and a phone number. Signage shall be posted at least every 100 feet along any block or as directed.

For emergency excavation, Permittee shall post and maintain notice at the site of the excavation during the construction period. The notice shall include the name, telephone number, and address of the owner, Permittee, applicant, and its agent, a description of the excavation to be performed, and the duration of the excavation. Utility Company with marked-vehicle and a foreman present at the site are exempt from posting notifications during emergencies. Permittee shall keep a copy of the permit to excavate at the work site while work is in progress and shall, on demand, exhibit the same to the Engineer.

For new utilities, Permittee shall provide advance written notices and follow the following for public outreach and notification if required.

- *Public relations and Community Outreach.*

*Utility Company must maintain a policy for community notification and outreach for planning and design of all new utility. For new utility installations that may take longer than one month to complete or extends more than 600 feet or two cityblocks or may have significant impact on traffic, parking, access to homes and businesses, Director of Public Works may require that the Utility Company conduct community outreach and public relation efforts addressing detours, traffic control, and other concerns. Utility Company shall be prepared to show purpose and nature of the project, discuss alternative solutions, proposed route and scope,*

*duration, short and long-term impact on the community and traffic, and project benefits. Utility Company shall work closely with City Council staff and the community for conditions of approval and seek consensus prior to finalizing the plans for permit application.*

- Section 3 Trenching/excavation restrictions-moratorium streets. **No trenching or excavation shall be permitted in any street that has been constructed or resurfaced within five years after completion without express written permission from the Director of Public Works.** Emergency work is exempt; however more extensive paving will most likely be required. At a minimum, replacement of trench paving shall match or exceed the most recent resurfacing pavement section depth and material or as directed by the Engineer for traffic index in accordance with the latest City of Willows Standard Details.
- At a minimum, if approved by the Director of Public works, work in moratorium streets may include: (i) Relocation of utilities mandated by the State, County, or Federal agencies; (ii) Services for buildings or parcels where no other reasonable means of providing service exists. In such case, Permittee or the applicant shall demonstrate the reasons for causing excavation in a moratorium street to Director of Public Works for consideration.
- Section 4 Trenching/excavation in Holiday Restricted Streets. No trenching or excavation shall be permitted in any Holiday Restricted Street without express permission of the Director of Public Works. Emergency work is exempt.
- Section 5 Emergency work. Nothing in this title relative to excavations shall be construed to prevent emergency work maintaining facilities in public street, alley or public place for the preservation of life or property. The applicant for emergency permit shall submit a written statement describing basis for the emergency action and describe the excavation performed and any work remaining to be performed on the next business day.
- Section 6 Limited operations areas & limit of work. Excavation work performed by the Permittee in a LIMITED OPERATIONS AREA if indicated on the Permit to Excavate, shall comply with the following:
- No work that will interfere with traffic shall be performed in any public street or roadway during the hours of 7am to 9am and 4pm to 6pm (except Sundays and Holidays) and no equipment, construction materials or excavated material may interfere with traffic flow. Permittee and its agent shall cover open excavations with steel plates ramped to the elevation of the street, pavement, or other public right-of-way, or otherwise protected. Sections of work shall be completed or temporarily paved and open to traffic in no more than five (5) days after commencing work unless otherwise permitted in writing by the Director of Public Works. Nothing herein specified shall prohibit emergency work and/or repair necessary to insure public health and safety.
- Section 7 Limit of trenching. Trench excavations shall not exceed one hundred (100) feet contiguously or one City block, whichever is less without written approval. Excavated material shall be properly removed from the work site and shall not be stored in any public street or thoroughfares.

- Section 8 Responsibilities for accidents. Permittee shall be responsible for all claims and liabilities arising out of work performed under the permit or arising out of permittee's failure to perform the obligations with respect to street excavation or restoration and shall agree to, defend, indemnify, save and hold harmless the City, its officers and employees.
- Section 9 Right of access. Safe right of access to the public shall be top priority. Full attention must be given to emergency vehicles and personnel, hydrant access and fire prevention devices, pedestrian zones, vehicles and bus access, transportation stations, driveways, mailboxes, manholes and utility structures, and all public service structures.
- Permittee excavating or otherwise obstructing public sidewalk shall maintain a minimum five (5) foot wide walkway with required railing as approved by the Engineer to accommodate all sidewalk users including those with disabilities. Upon completion of the work, Permittee shall immediately remove all temporary signs and warning devices and deliver the area in a safe and neat condition. Refer to the Americans with Disabilities Act in Work Zones
- Section 10 Traffic and safety plan. For lane closures or parking space occupation, Permittee shall secure the approval of the Engineer with a submittal (three sets of drawings) at least twenty-one (21) days prior to the closure or occupation. Unless otherwise authorized, work shall be performed in one vehicle lane at a time with the remainder of the roadway open and unobstructed. If additional parking spaces or lane closers are needed, plans shall be re-submitted for the Engineer's review and approval. Permittee shall properly maintain existing traffic signs and shall not remove them without prior Engineer's approval. Temporary signs, lights, and related traffic control devices shall comply with the current edition of the "Manual on Uniform Traffic Control Devices (MUTCD)", or as modified by the Engineer.
- Section 11 Protection of existing facilities. Public and private structures such as, but not limited to street signs, mailboxes, bus benches, trash cans, etc. shall not be removed or relocated by Permittee without a written approval of the agency in-charge of their maintenance. Stop signs, directional signs, parking meters, and other facilities are not to be removed or relocated by the Permittee without prior written approval. Temporary or permanent relocation of any existing sign or facility is prohibited without a formal submittal and the approval of the agency in-charge.
- Section 12 Coordination of work. The Permittee shall cooperate with agencies involved in providing service to the public, such as delivery of mail, collection and removal of trash, and other public service providers. Excavation work shall be coordinated with agencies working in the area for minimum interference.
- Section 13 Storm water provisions. All gutters, drains, conduits, culverts, catch basins, and storm water facilities shall be kept open and clean so as to permit free and unobstructed flow of storm water. Adequate storm water protection shall be in-place to prevent sediment, construction materials, potable water, and other materials or fluids from reaching the storm drain system in accordance with the

latest federal and state agency regulation prohibiting storm water pollution from construction sites. The City's storm drain system discharging directly into creeks and waterways without treatment.

Section 14 Survey monuments. The Permittee shall not disturb or remove monuments of concrete, steel, or other lasting material established with precise reference point for the purpose of locating or preserving the public right-of-way without first obtaining permission to do so in writing from the Engineer. The Permittee shall further comply with the following state regulations whenever his operations endanger any such monument:

Business & Professions Code §8771  
Streets & Highways §732 & §732.5, §1492.5, §1810.5  
Penal Code §605

Section 15 Pavement marking. Restoration of permanent paving striping and markings shall conform to the following.

Existing Materials

Replacement Materials

Paint  
Thermo or pre-cut plastic  
Raised ceramic or reflective materials

Paint or permanent pre-cut plastic  
Permanent type pre-cut plastic  
Replace in kind

Graffiti. Permittee shall remove and maintain at all times a site and equipment free of graffiti. Any and all graffiti markings at the sites, on equipment and barricades and facilities shall be removed immediately by the Permittee or its contractor. Permittee shall visually record or video the construction site for any pre-existing condition.

### Article 3 EXCAVATION

Section 1 Notification and traffic safety. Forty-eight (48) hours in advance of any cutting or excavation, Permittee shall call the Underground Service Alert (USA North, 811) to have subsurface facilities marked.

Section 2 Sheeting and shoring. In accordance with the order of the Division of Industrial Safety (Cal/OSHA) and prior to commencing excavation of trenches five (5) feet or deeper, Permittee shall first obtain a permit from the Engineer with a complete submittal prepared by a state of California registered and experienced professional engineer in ground support system. If at the end of the workday backfilling operations have not been completed, steel bridging shall be placed over trenches so as to make the entire roadway accessible to vehicular traffic. Steel plating shall be ramped for vehicle traffic and secured against the movement in all directions. Ramps shall be constructed of asphalt cutback and shall have a maximum slope of 1:12.

Section 3 Methods of excavation. Excavation for conduit shall be performed by open trench operation. Tunneling or jacking of conduit will not be permitted unless

specifically authorized by the Engineer. Rockwheel concrete cutter method of trench excavation will not be permitted unless specifically authorized by the Engineer in writing.

- Section 4 Depth of installation. Unless otherwise authorized by the Engineer, minimum cover for underground pipes and conduits shall be thirty-six (36) inches in public street and twenty-four inches in public sidewalks.
- Section 5 Saw cutting. Prior to the start of excavation, pavement shall be cut with power driven saw to a depth of six (6) inches in asphalt or concrete pavement. Saw cutting of existing pavement shall be performed in neat and straight lines. The Permittee shall not allow silt-water to reach into public storm drainage system or be deposited onto public right-of-way. Use of a mobile power-driven pavement breaker will not be permitted.
- Section 6 Pavement removal. When trench excavations fall within three (3) feet of a construction joint, cold joint, or expansion joint, Permittee shall remove the existing paving material from joint to joint. If the entire width of the concrete sidewalks and driveways are less than six (6) feet, the entire sidewalk or driveway shall be removed and replaced.
- Section 7 Protection of trees. Permit to excavate does not authorize tree trimming or tree removal. Permittee shall request and schedule a site visit with the City arborist if tree trimming or tree removal is expected to be necessary. Street tree roots two (2) inches in diameter or greater shall not be cut by the Permittee and excavated material shall be removed from root system so to avoid damage thereto. Roots shall be protected with burlap wrapping if exposed.

#### Article 4 BEDDING AND BACKFILL

- Section 1 Bedding and backfill. Bedding and backfill shall be per City Standard 502. Controlled Density Fill (CDF)/Controlled Low Strength Material (CLSM) for trenches or backfill as specified in the City Standards is required. If CDF or CLSM is used, Permittee shall submit the slurry mix design to the Engineer for review and approval.

Permittee shall hire a soils engineer to test for compaction in all trenches. Trench compaction reports shall be provided to the City showing tests conducted on all trenches at a frequency of every 100 ft. of trench excavated. Any failing compaction tests shall be addressed and repaired until compaction meeting City Standards. Compaction requirement for the upper three feet of trench backfill shall be ninety five percent (95%) minimum relative compaction for roadways and ninety percent for areas outside of the roadway.

- Section 2 Mechanical compaction. Unless otherwise authorized by the Engineer, backfill shall be mechanically compacted as specified in the Standard Specifications.
- Section 3 Water Densification. Water-densification is not permitted unless approved by the Engineer and only in areas authorized by the Engineer.



- Section 4 Provisions for undermined trenches. Trench areas under pavement sections that are undermined by Permittee's operations shall be removed and compacted to allow adequate compaction of the material to the satisfaction of the Engineer.
- Section 5 Compaction testing. Relative compaction shall be determined by California Test Number 216 (Nuclear Gage) or approved equal. Test for relative compaction may be performed by the contractor's certified testing laboratory.
- Section 6 Temporary paving. Permittee may install temporary pavement in lieu of trench plates over trenches by installing hot mix asphalt surfacing over compacted backfill material. Unless otherwise noted, minimum section of temporary pavement is two (2) inches in travel lanes and one (1) inch in sidewalk.

Asphalt surfacing shall be mechanically compacted in-place to a uniform, even surface, and shall be true to grade and cross section. The Permittee shall regularly inspect and maintain temporary bituminous surfacing and maintain level and true grade. Controlled low density fill material, if approved by the Engineer for trench backfill for narrow trenches, may be accepted as temporary pavement if it exceeds the stability of the temporary pavement.

## Article 5 PAVING OPERATIONS

- Section 1 General requirements. The extent of pavement restoration shall be determined by the Engineer at the site as shown in Pavement Restoration Requirements and described herein as:
- i. Continuous and contiguous resurfacing a constant width equal to the widest part of the excavation but not narrower than the width of the affected lane (approximately 13 feet wide); and
  - ii. Continuous and contiguous resurfacing of lane(s) over scattered excavations may be limited to 50 feet in length along the affected lane if the excavations are no more than 50 feet apart. But shall include the entire block if scattered excavations are longer than 50 feet apart and if the total number of isolated excavations are eight or more; and
  - iii. Continuous and contiguous resurfacing of a lane one-half of the block if the total longitudinal length of excavation along a lane is shorter than 50% of the length of that block; and
  - iv. Continuous and contiguous resurfacing of the entire lane along the block if the total longitudinal length of excavation exceeds 50% of the length of that block; and
  - v. Continuous and contiguous resurfacing of the intersections on a lane by lane basis and any affected quadrant over which a trench crosses the intersection.

- Section 2 Timeline to install permanent pavement (72 hours). Unless specifically permitted in writing by the Engineer excavation shall be backfilled and compacted within 72 hours from the start of work. Placement of pavement base material shall be completed within 72 hours after the excavation has been backfilled. Unless otherwise approved by the Director of Public Works, the final trench paving shall be completed no later than 72 hours after the installation of the pavement base material.
- Section 3 Pavement restoration (asphalt). Asphalt concrete pavement shall match existing asphalt pavement thickness but no less than two (2) inches in depth. Placement of pavement courses shall not exceed two (2) inches unless otherwise authorized by the Engineer. Placement of final course shall be performed when preceding course has cooled to the extent that it does not displace under the Permittee's equipment.
- Section 4 Pavement restoration (concrete). Replacement of Portland cement concrete pavement requires an approved submittal to assure continuity and lateral support where the new pavement meets existing. Concrete pavement in roadways shall match existing but no less than twelve (12) inches deep and early high strength conforming to State Standards or as specified by the Engineer. Modifications (compressive strength of 3,250 when open to traffic). Admixtures for early strength may be used as approved by the Engineer. Unless specifically authorized by the Engineer concrete base shall be allowed to cure a minimum of twenty-four (24) hours before placement of asphalt concrete pavement section. Restoration of concrete pavements would require replacement of the entire panel when saw cut line is closer than three feet from a joint.
- Section 5 Compensating for loss of pavement longevity (PCI index). Grind and overlay or slurry seal of asphalt pavement are required to compensate for the reduced life of pavement. Loss of pavement longevity is the result of cutting and trenching in pavement sections.

Restoration of asphalt roadway surfaces depends on the existing Pavement Condition Index (PCI). When PCI is sixty five (65) or less, as determined by the Engineer, the affected lane(s) shall receive mill and overlay no less than two (2) inches deep.

If in the opinion of the Engineer the PCI index is higher than 65, the affected lanes shall receive slurry seal encompassing at least five (5) feet of sealer beyond the cut lines and over the entire width of the affected lane.

- Section 6 Textured or colored pavement. Pavement constructed of a special material or color shall be replaced in kind. Prior to placing special materials or colors the Permittee shall provide a finished four (4) square foot sample of the material and/or color intended to be replaced for approval by the Engineer.

- Section 7 Access ramps, ADA accessibility. When any portion of the curb at a legal

pedestrian crosswalk or any portion of the sidewalk that is in contact with curb is removed by the Permittee's operations, the Permittee shall construct, as a part of his replacement operations, handicap access ramps shown in the latest edition of the City Standards or the State of California Department of Transportation (Caltrans) Standard Details.

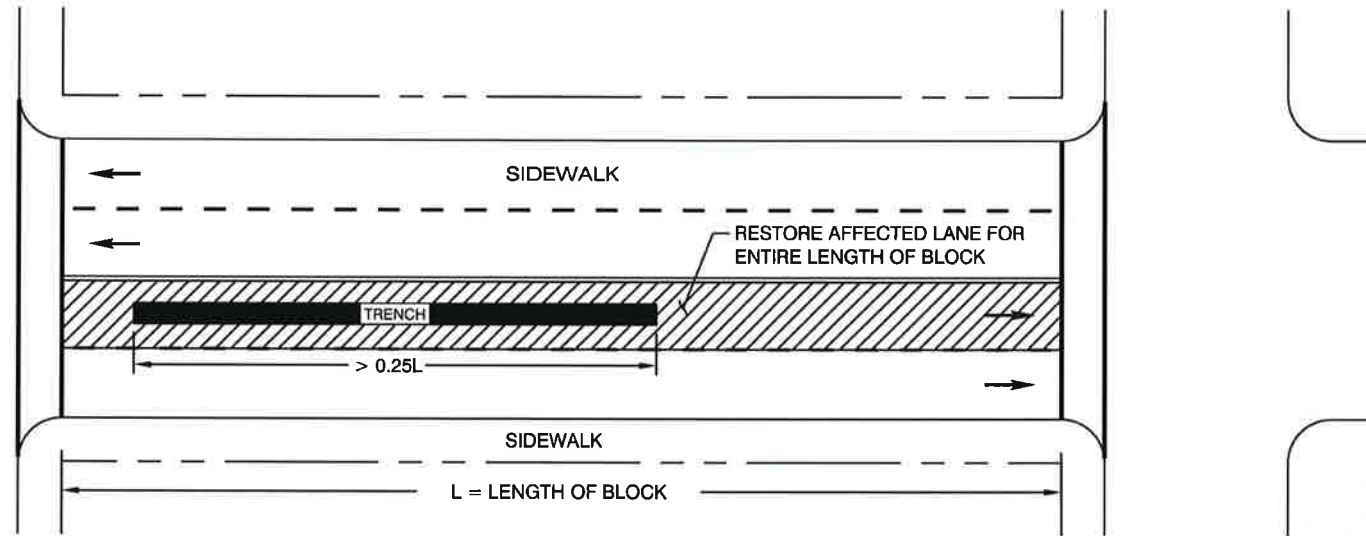
Section 8 Pavement markings. Upon completion of paving operations, Permittee shall immediately replace all pavement markings and traffic striping damaged or removed by his operations.

Section 9 Damage to property. Any private or public improvement damaged by the Permittee's operations shall be replaced to the satisfaction of the Engineer. Damage occurring to street lighting, traffic signal installations, fire alarm conduits, and traffic signal loops shall be reported immediately to the Public Works Department. Restoration of affected services shall be performed by City forces and will be limited to temporary repairs only. Permanent repairs or replacement of damaged portions of street lighting and/or traffic signal installations, resulting from the Permittee's operations, shall be the Permittee's responsibility. The Permittee shall not perform any repairs to City electrical facilities damaged by his operations, except as may be authorized by the Engineer.

## Article 6 VIOLATION & PENALTIES

Section 1 Violations, administrative penalties, and costs. Willows Municipal Code prescribes penalties for violations including but not limited to work without permit, Notices to Repair that were not complied with, permit not on site, violation of traffic control requirements, street closures without permit, improper pavement and sidewalk restoration, trip hazards, work outside of designated permit hours, backfill without compactions tests, non-emergency work in moratorium streets (recently improved), and other related violations. Permittee shall also be charged for the work performed by the City for failure to comply. City shall have the right, upon due notice to Permittee and whenever possible, to perform emergency measures to insure public health and safety.

# STANDARD DETAILS



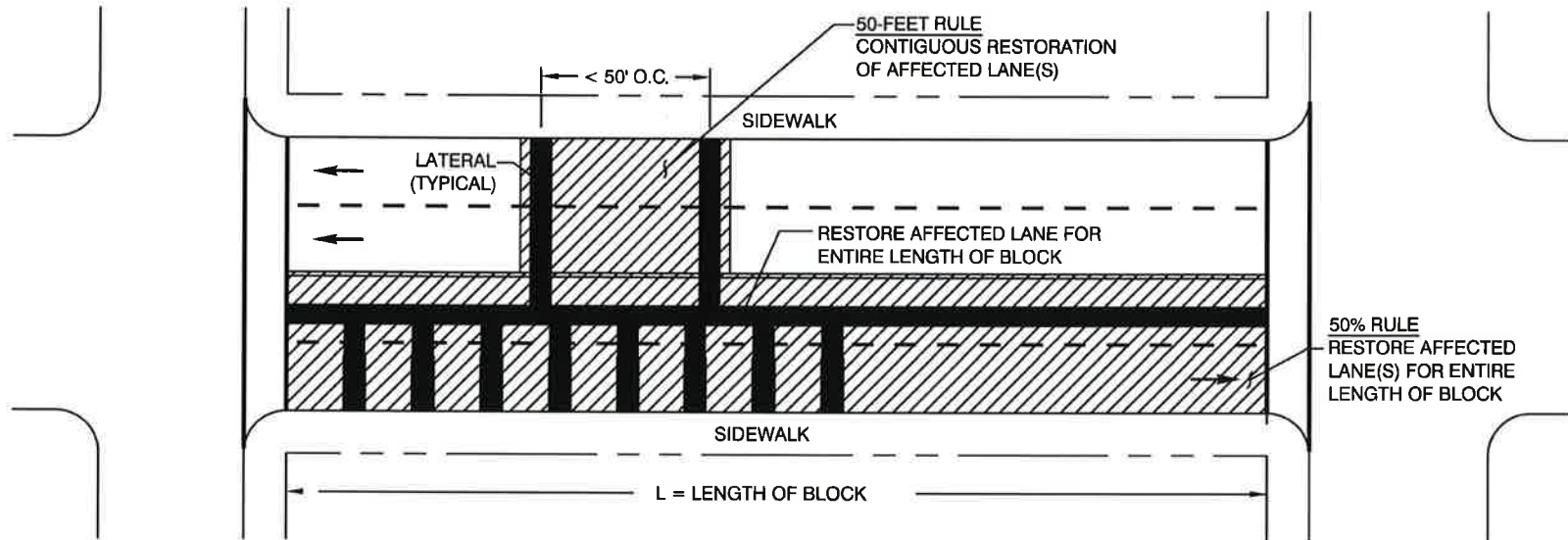
NOTE: FOR ANY TRENCH LENGTH THAT EXCEEDS 25% OF THE LENGTH OF BLOCK, RESTORATION OF ALL AFFECTED LANES SHALL BE FOR THE ENTIRE LENGTH OF THE BLOCK.

PCI INDEX OF 65 AND LESS, MILL AND OVERLAY.  
PCI MORE THAN 65, SLURRY SEAL.  
NO WORK IS ALLOWED IN MORATORIUM STREETS.



*Willows*  
CALIFORNIA

## PAVEMENT RESTORATION REQUIREMENTS



50-FEET RULE: PAVEMENT RESTORATION SHALL BE CONTIGUOUS FOR ALL AFFECTED LANES WHEN LATERALS ARE LESS THAN 50 FEET APART.

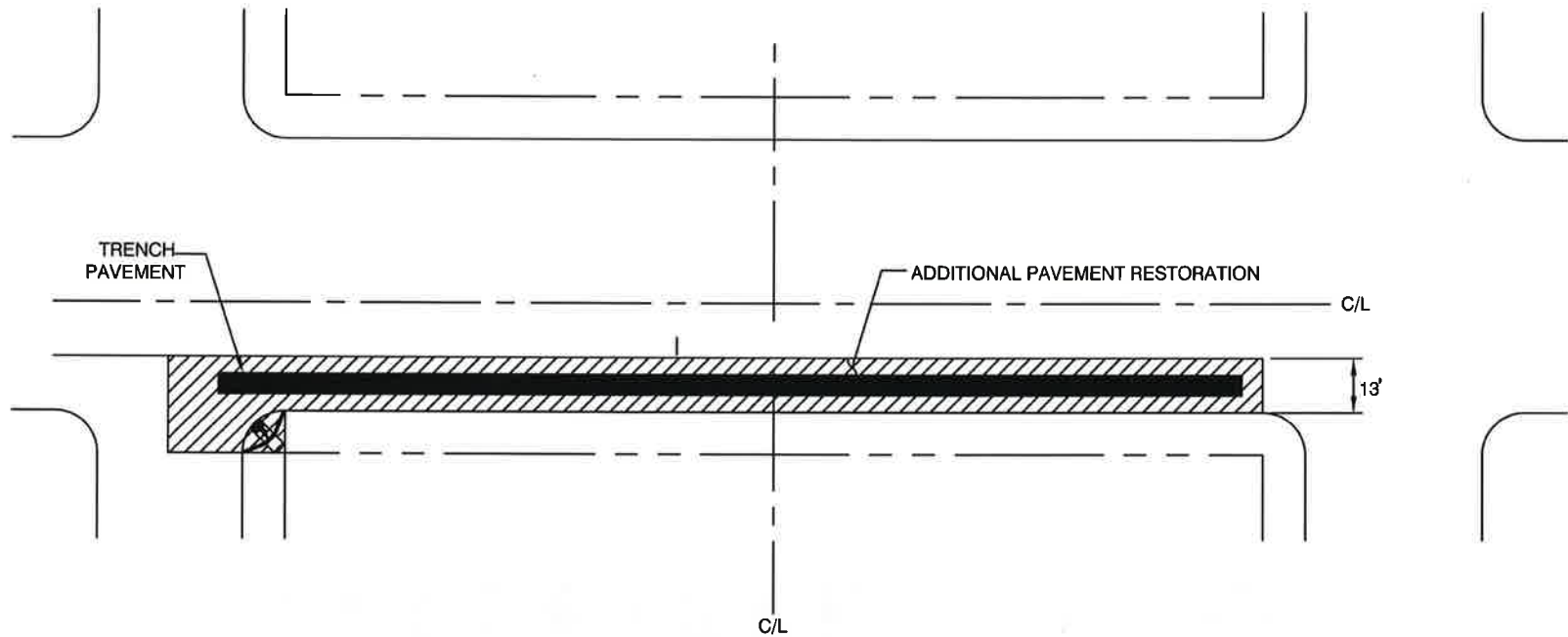
50% RULE: PAVEMENT RESTORATION SHALL BE ALL AFFECTED LANES FOR THE ENTIRE LENGTH OF BLOCK WHENEVER THERE ARE AT LEAST 8 LATERALS AND 50% OR MORE OF THE SERVICES ARE EXCAVATED.

PCI INDEX OF 65 AND LESS, MILL AND OVERLAY.  
PCI MORE THAN 65, SLURRY SEAL.  
NO WORK IS ALLOWED IN MORATORIUM STREETS.



*Willows*  
CALIFORNIA

## PAVEMENT RESTORATION REQUIREMENTS



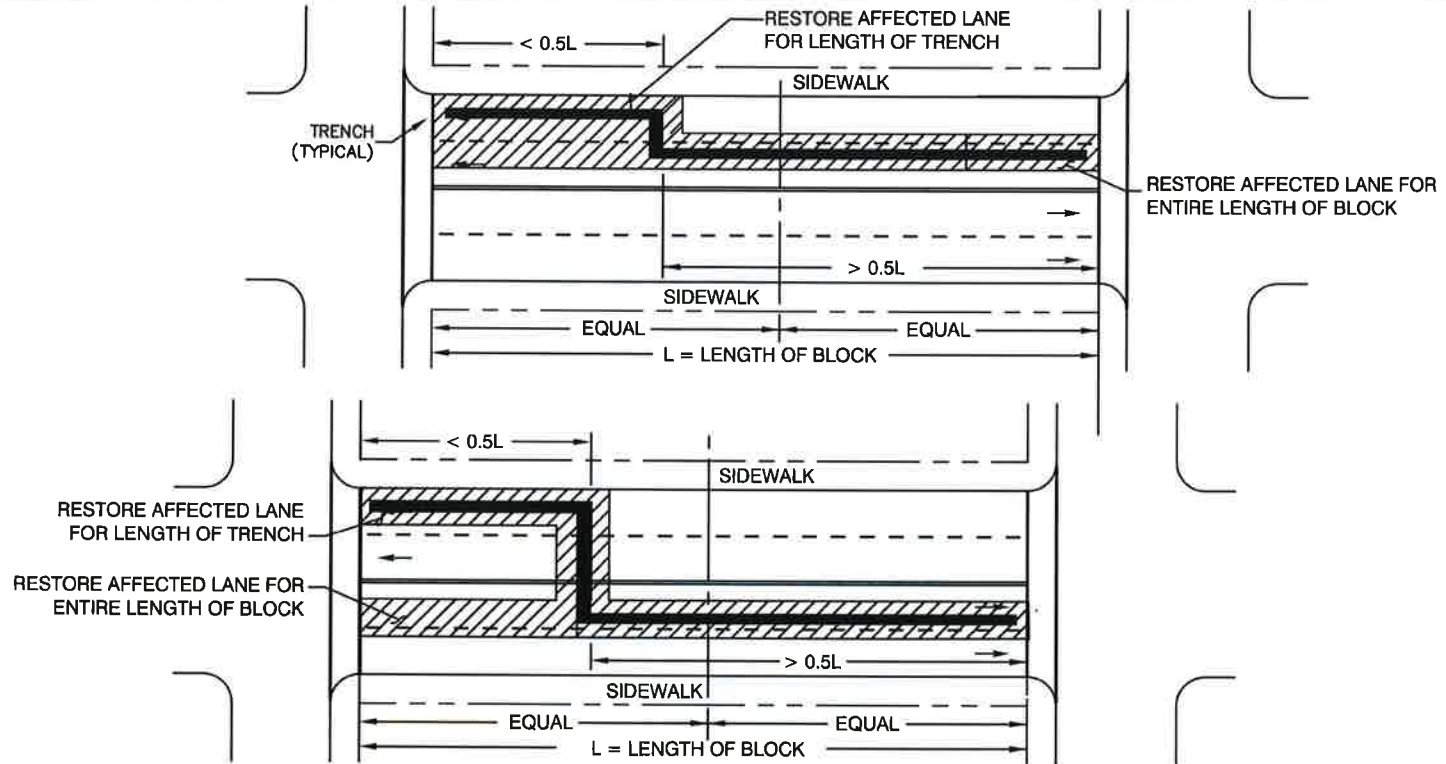
13-FEET RULE: WHEN AN EXCAVATION IS LESS THAN 13 FEET FROM OUTSIDE CURB,  
RESTORATION IS LIMITED TO 13 FEET.

PCI INDEX OF 65 AND LESS, MILL AND OVERLAY.  
PCI MORE THAN 65, SLURRY SEAL.  
NO WORK IS ALLOWED IN MORATORIUM STREETS.



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## PAVEMENT RESTORATION REQUIREMENTS



NOTE:

1. WHEN THE ALIGNMENT MOVES FROM ONE LANE TO ANOTHER LANE, ONLY THE EXCAVATED LANE SHALL BE RESTORED.  
UNLESS
2. IF OVER 50% OF THE LENGTH OF THE LANE IS EXCAVATED, THE LANE FOR THE ENTIRE BLOCK SHALL BE RESTORED.

PCI INDEX OF 65 AND LESS, MILL AND OVERLAY.  
 PCI MORE THAN 65, SLURRY SEAL.  
 NO WORK IS ALLOWED IN MORATORIUM STREETS.

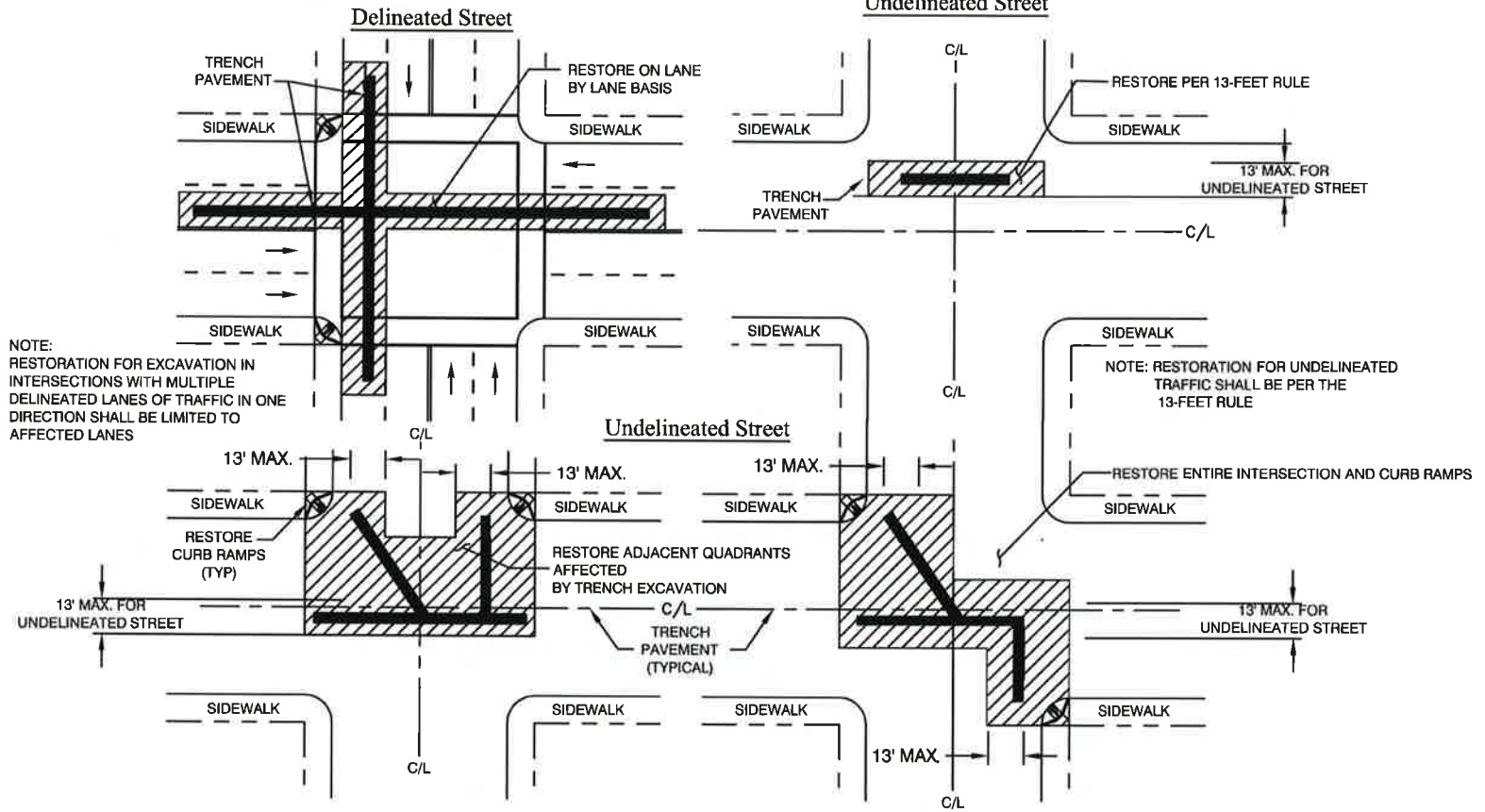


*Willows*  
 CALIFORNIA

## PAVEMENT RESTORATION REQUIREMENTS



Figure 5: Intersections



NOTE:  
 RESTORATION FOR EXCAVATION IN INTERSECTIONS WITH MULTIPLE DELINEATED LANES OF TRAFFIC IN ONE DIRECTION SHALL BE LIMITED TO AFFECTED LANES

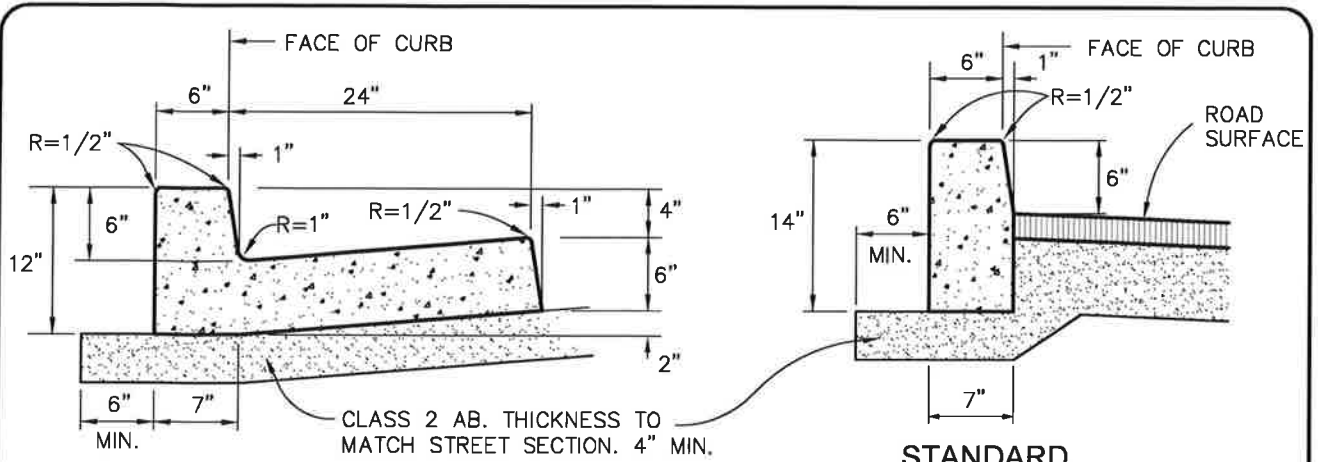
NOTE: RESTORATION FOR UNDELINEATED TRAFFIC SHALL BE PER THE 13-FOOT RULE

PCI INDEX OF 65 AND LESS, MILL AND OVERLAY.  
 PCI MORE THAN 65, SLURRY SEAL.  
 NO WORK IS ALLOWED IN MORATORIUM STREETS.  
 CURB RAMP RESTORATION PER CALTRANS LATEST STANDARDS TO THE SATISFACTION OF THE ENGINEER.



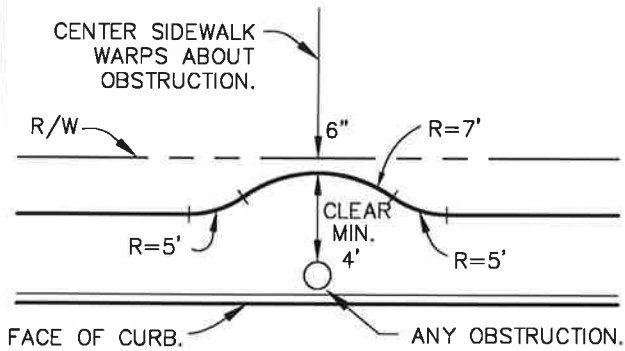
*Willows*  
 CALIFORNIA

PAVEMENT RESTORATION REQUIREMENTS

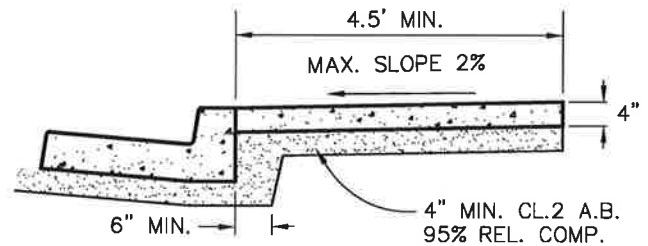


**STANDARD CURB AND GUTTER**

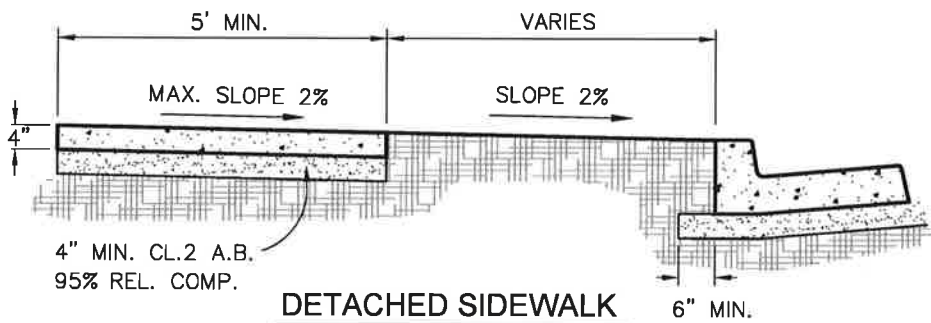
**STANDARD VERTICAL CURB**



**SIDEWALK WARP (CONTIGUOUS SIDEWALK)**



**CONTIGUOUS SIDEWALK**



**DETACHED SIDEWALK**

**NOTES:**

1. CONCRETE SHALL BE CLASS "2" AND SHALL CONTAIN NOT LESS THAN 6 SACKS OF CEMENT PER CUBIC YARD.
2. EXPANSION JOINTS, 1/4 INCH WIDE, SHALL BE INSTALLED AT EACH SIDE OF STRUCTURES, AT ENDS OF CURB RETURNS AND AT THE TOP OF DRIVEWAY TAPERS.
3. EXPANSION JOINTS SHALL BE INSTALLED AT 60 FOOT INTERVALS, WITH WEAKENED PLANE JOINTS EVERY 16 FEET.
4. SIDEWALKS SHALL BE SCORED INTO 4 FOOT SQUARES UNLESS SPECIFIED BY ENGINEER.
5. IF EXTRUSION MACHINE IS USED, EXPANSION JOINTS SHALL BE DEEP SCORE 1/3 THE THICKNESS.
6. BROOM FINISH SHALL BE TRANSVERSE TO THE DIRECTION OF TRAVEL.
7. WHERE CONNECTING TO EXISTING CURB AND GUTTER PROVIDE 1/2" x 24" SMOOTH DOWELING AT 12" O.C. BETWEEN EXISTING AND NEW IMPROVEMENTS.
8. ALL NEW SIDEWALK CONSTRUCTION SHALL HAVE #4 BARS AT 24" O.C. LONGITUDINALLY.

Images: Willows.jpg; Xrefs: Path: F:\BMAP-STD\Willows\Std\Streets 200-215.dwg Layout Name: 203-1 Plot Date: Feb 26, 2020 at 04:07 pm



**DESIGN AND CONSTRUCTION STANDARDS**

**CURB, GUTTER, SIDEWALK, AND SIDEWALK WARP**

DATE: SEPTEMBER 2017

STD. NO.

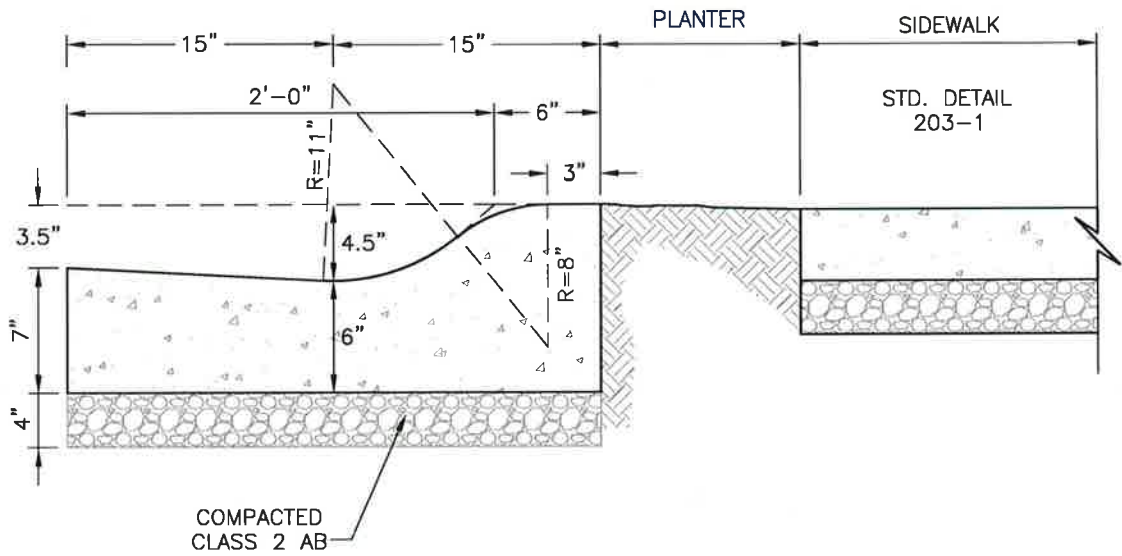
**203**

PAGE 1 OF 2

SCALE: NONE

Images: Willows.jpg; Xrefs: Path: F:\BMAP-STD\Willows\Std\Streets 200-215.dwg Layout Name: 203-2 Plot Date: Oct 06, 2017 at 08:40 am

**CURB & GUTTER:**  
 0.0574 CY/LF  
 2.5 SQ. FT./LF



**NOTES:**

1. CONSTRUCT WEAKENED PLANE JOINTS AT 20'.
2. USE OF ROLLED CURB SUBJECT TO APPROVAL BY THE COMMUNITY DEVELOPMENT SERVICES DIRECTOR.
3. WHERE SIDEWALK IS ADJACENT TO CURB, THE CURB AND SIDEWALK SHALL BE POURED MONOLITHIC AND SCORED.
4. SEE STD. DETAIL 203-1 FOR GENERAL CURB NOTES.



DESIGN AND CONSTRUCTION STANDARDS

ROLLED CURB AND GUTTER

DATE: SEPTEMBER 2017

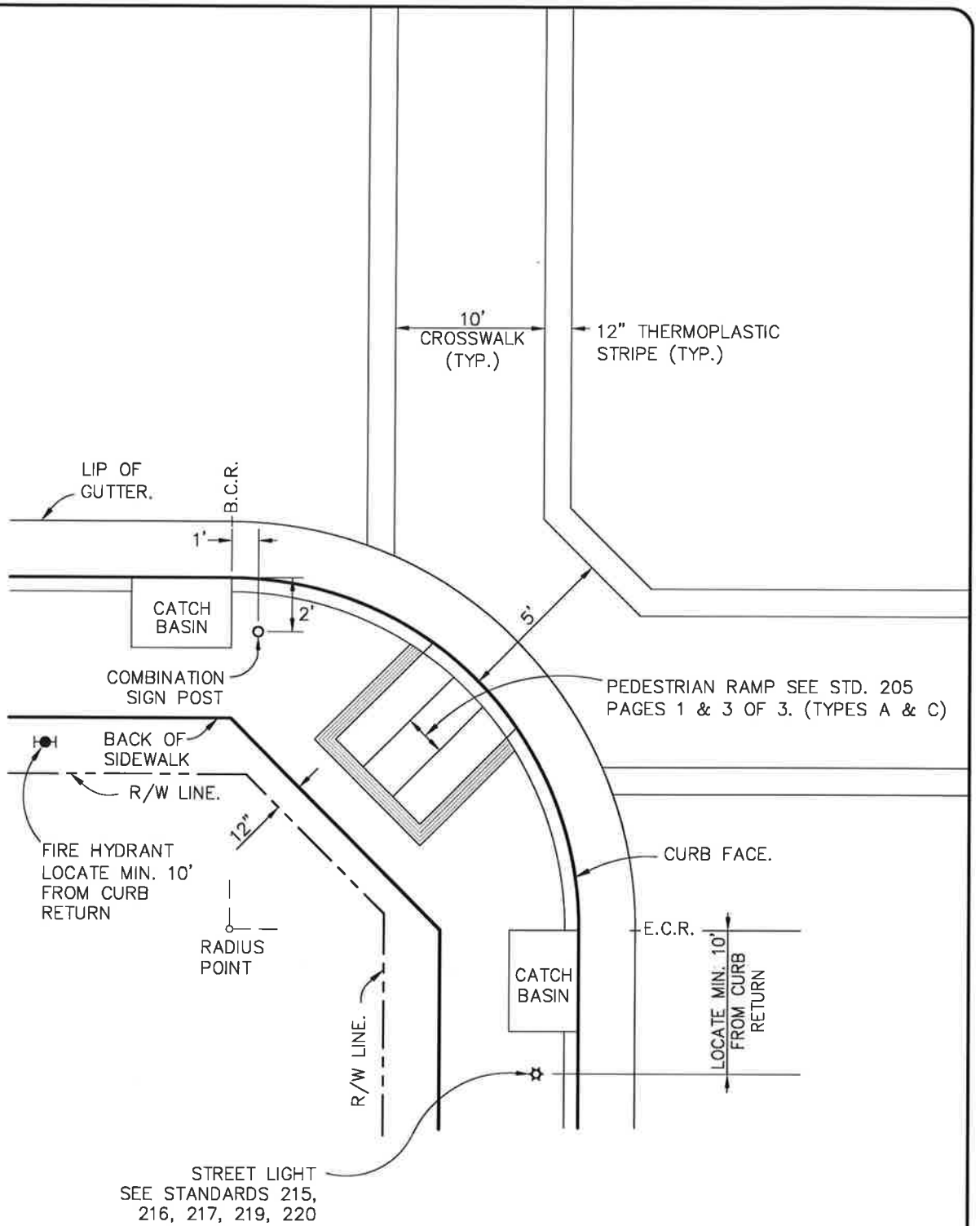
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**203**

PAGE 2 OF 2

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DESIGN AND CONSTRUCTION STANDARDS

CURB RETURN

DATE: SEPTEMBER 2017

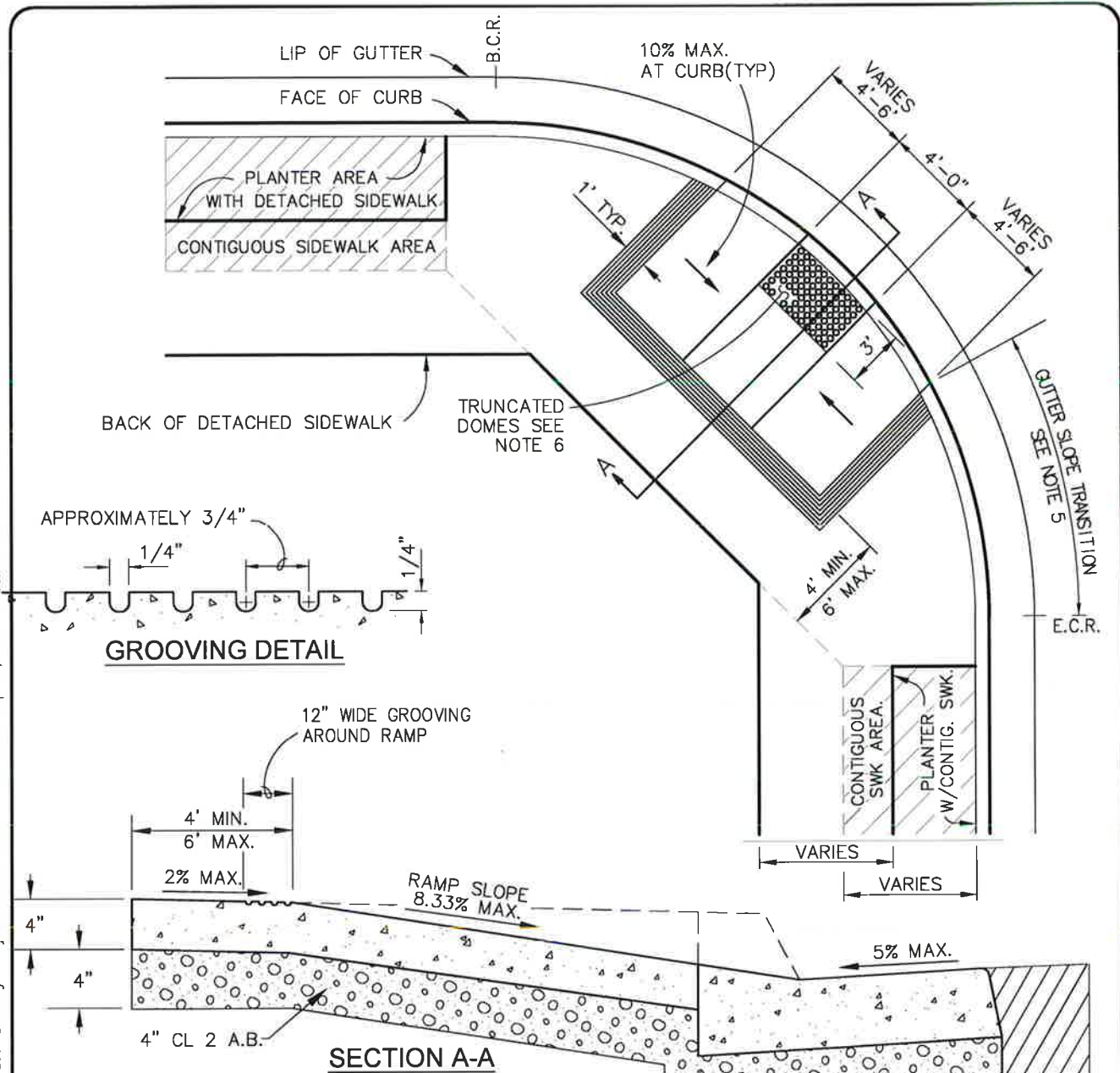
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204

PAGE 1 OF 1

SCALE: NONE

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**NOTES:**

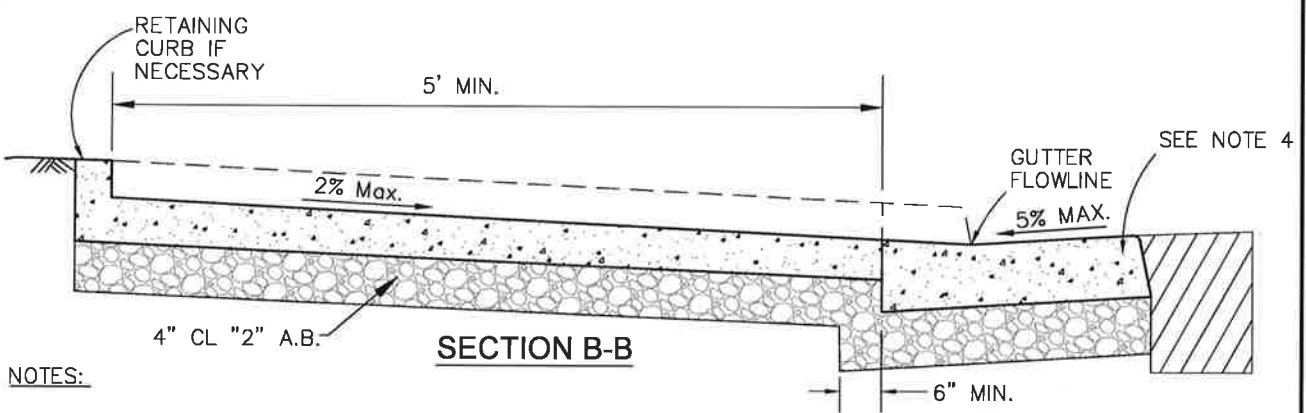
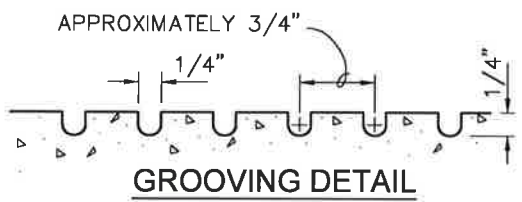
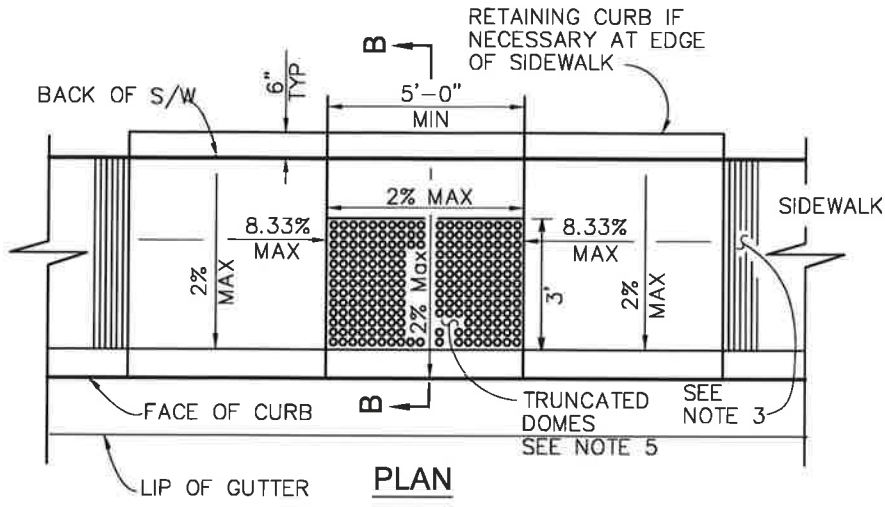
1. CONCRETE SHALL BE CLASS "2".
2. RAMP SHALL BE LOCATED AT THE MID-POINT OF THE CURB RETURN.
3. DESIGN SHALL CONFORM TO THESE REQUIREMENTS, EXCEPT AS OTHERWISE APPROVE BY THE CITY ENGINEER.
4. THE CURB RAMP SHALL BE OUTLINED, AS SHOWN, WITH A 1'-0" WIDE BORDER WITH 1/4" GROOVES APPROXIMATELY 3/4" ON CENTER. SEE GROOVING DETAIL.
5. MAXIMUM SLOPES OF THE ROAD SURFACE IMMEDIATELY ADJACENT TO THE CURB RAMP OR ACCESSIBLE ROUTE SHALL NOT EXCEED 5 PERCENT WITHIN 4'-0" OF THE TOP AND BOTTOM OF THE CURB RAMP. ADJOINING GUTTER SLOPE TRANSITIONS FROM 1" PER FOOT TO 5% AT THE RAMP (TYP.)
6. RAISED TRUNCATED DOME DETECTABLE WARNING SURFACE, SEE PAGE 3 OF 3 FOR DETAIL. THE EDGE OF THE DETECTABLE WARNING SURFACE NEAREST THE STREET SHALL BE BETWEEN 6" AND 8" FROM THE GUTTER FLOWLINE.
7. TRANSITIONS FROM RAMPS AND LANDING TO WALKS, GUTTERS, OR STREETS SHALL BE FLUSH AND FREE OF ABRUPT CHANGES.
8. UTILITY PULL BOXES, MANHOLES, VAULTS AND ALL OTHER UTILITY FACILITIES WITHIN THE BOUNDARIES OF THE CURB RAMP WILL BE RELOCATED OR ADJUSTED TO GRADE BY THE OWNER PRIOR TO, OR IN CONJUNCTION WITH, CURB RAMP CONSTRUCTION.



<b>DESIGN AND CONSTRUCTION STANDARDS</b>	
<b>PEDESTRIAN CURB RAMP TYPE A</b>	
DATE: SEPTEMBER 2017	

<b>STD. NO.</b> <b>205</b>
PAGE 1 OF 3
SCALE: NONE

Images: Willows.jpg; Xrefs: Path: C:\Users\gooleer\appdata\local\temp\acPublish\_368\Streets 200-215.dwg Layout Name: 205-2 Plot Date: Sep 27, 2017 at 08:29 am



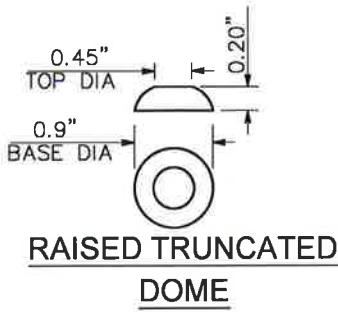
**NOTES:**

1. CONCRETE SHALL BE CLASS "2".
2. DESIGN SHALL CONFORM TO THESE REQUIREMENTS, EXCEPT AS OTHERWISE APPROVE BY THE CITY ENGINEER.
3. THE CURB RAMP SHALL BE OUTLINED, AS SHOWN, WITH A 1'-0" WIDE BORDER WITH 1/4" GROOVES APPROXIMATELY 3/4" ON CENTER. SEE GROOVING DETAIL.
4. MAXIMUM SLOPES OF ADJOINING GUTTERS, THE ROAD SURFACE IMMEDIATELY ADJACENT TO THE CURB RAMP OR ACCESSIBLE ROUTE SHALL NOT EXCEED 5 PERCENT WITHIN 4'-0" OF THE TOP AND BOTTOM OF THE CURB RAMP.
5. RAISED TRUNCATED DOME DETECTABLE WARNING SURFACE, SEE PAGE 3 OF 3 FOR DETAIL. THE EDGE OF THE DETECTABLE WARNING SURFACE NEAREST THE STREET SHALL BE BETWEEN 6" AND 8" FROM THE GUTTER FLOWLINE.
6. TRANSITIONS FROM RAMP AND LANDING TO WALKS, GUTTERS, OR STREETS SHALL BE FLUSH AND FREE OF ABRUPT CHANGES.
7. UTILITY PULL BOXES, MANHOLES, VAULTS AND ALL OTHER UTILITY FACILITIES WITHIN THE BOUNDARIES OF THE CURB RAMP WILL BE RELOCATED OR ADJUSTED TO GRADE BY THE OWNER PRIOR TO, OR IN CONJUNCTION WITH, CURB RAMP CONSTRUCTION.



<b>DESIGN AND CONSTRUCTION STANDARDS</b>	
<b>PEDESTRIAN CURB RAMP TYPE B</b>	
DATE: SEPTEMBER 2017	

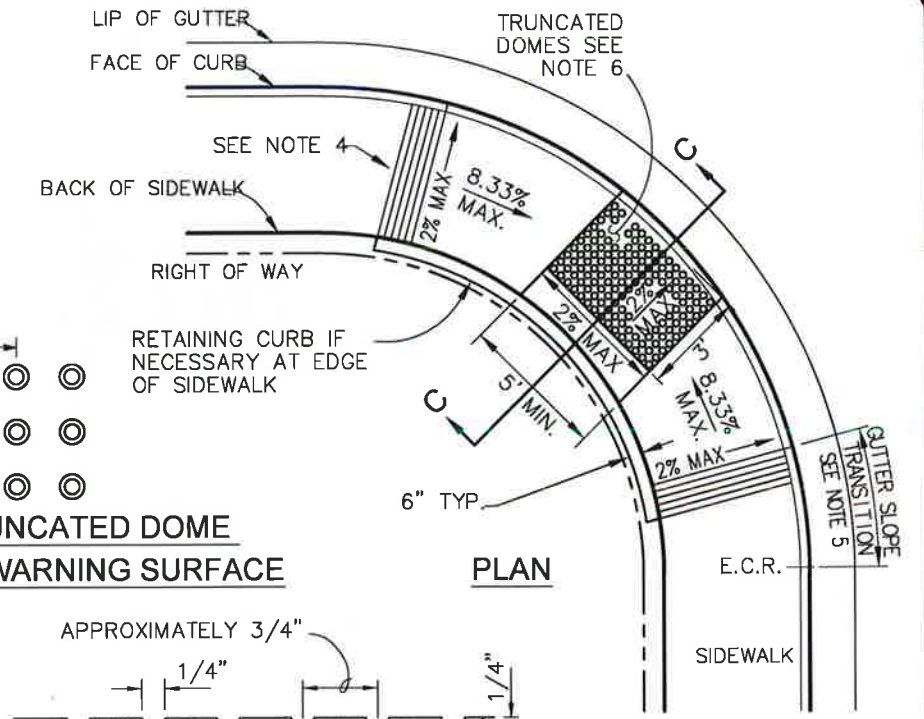
STD. NO. <b>205</b>
PAGE 2 OF 3
SCALE: NONE



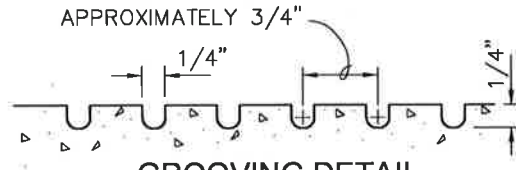
**RAISED TRUNCATED DOME**



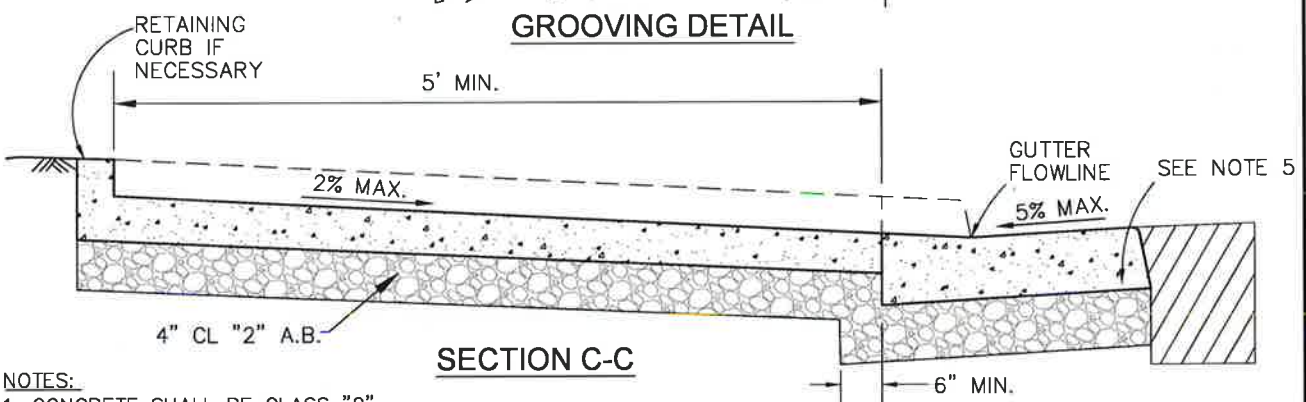
**RAISED TRUNCATED DOME DETECTABLE WARNING SURFACE**



**PLAN**



**GROOVING DETAIL**



**SECTION C-C**

- NOTES:**
1. CONCRETE SHALL BE CLASS "2".
  2. RAMP SHALL BE LOCATED AT THE MID-POINT OF THE CURB RETURN.
  3. DESIGN SHALL CONFORM TO THESE REQUIREMENTS, EXCEPT AS OTHERWISE APPROVE BY THE CITY ENGINEER.
  4. THE CURB RAMP SHALL BE OUTLINED, AS SHOWN, WITH A 1'-0" WIDE BORDER WITH 1/4" GROOVES APPROXIMATELY 3/4" ON CENTER. SEE GROOVING DETAIL.
  5. MAXIMUM SLOPES OF THE ROAD SURFACE IMMEDIATELY ADJACENT TO THE CURB RAMP OR ACCESSIBLE ROUTE SHALL NOT EXCEED 5 PERCENT WITHIN 4'-0" OF THE TOP AND BOTTOM OF THE CURB RAMP. ADJOINING GUTTER SLOPE TRANSITIONS FROM 1" PER FOOT TO 5% AT THE RAMP (TYP.)
  6. RAISED TRUNCATED DOME DETECTABLE WARNING SURFACE, DETAIL ABOVE. THE EDGE OF THE DETECTABLE WARNING SURFACE NEAREST THE STREET SHALL BE BETWEEN 6" AND 8" FROM THE GUTTER FLOWLINE.
  7. TRANSITIONS FROM RAMPS AND LANDING TO WALKS, GUTTERS, OR STREETS SHALL BE FLUSH AND FREE OF ABRUPT CHANGES.
  8. UTILITY PULL BOXES, MANHOLES, VAULTS AND ALL OTHER UTILITY FACILITIES WITHIN THE BOUNDARIES OF THE CURB RAMP WILL BE RELOCATED OR ADJUSTED TO GRADE BY THE OWNER PRIOR TO, OR IN CONJUNCTION WITH, CURB RAMP CONSTRUCTION.

Images: Willows.jpg; Xrefs: Path: C:\Users\gooler\appdata\local\temp\AcPublish\_368\Streets 200-215.dwg Layout Name: 205-3 Plot Date: Sep 27, 2017 at 08:29 am



<b>DESIGN AND CONSTRUCTION STANDARDS</b>	
<b>PEDESTRIAN CURB RAMP TYPE C</b>	
DATE: SEPTEMBER 2017	

<b>STD. NO.</b> <b>205</b> PAGE 3 OF 3 SCALE: NONE
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Date: November 23, 2021  
To: City Council Members  
From: Nathan Monck, Fire Chief  
Subject: Submit Grant Application to Assistance to Firefighters Grant (AFG) Program

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**Recommendation:**

Staff recommends applying for a regional AFG grant in order to replace Self-Contained Breathing Apparatus (SCBAs). Total cost to the City would not exceed \$14,000, which includes the cost to contract with JMCM Consulting to prepare the grant as well as the required local match for the grant application. The total value of the grant is \$126,000.

**Rationale for Recommendation:**

The City of Willow's current SCBAs in service are 18 years old and designed to 1981 National Fire Protection Association (NFPA) standards. The Fire Department's SCBAs were purchased in 2002 and since then, the NFPA standards and requirements have increased three times bringing greater safety and performance improvements for fire fighters. In addition, there is very little time to prepare the grant application as the AFG Grant opened for application November 8, 2021 and closes December 17, 2021. Therefore, staff recommends contracting with JMCM Consulting to prepare and submit the grant application.

**Background:**

The City of Willows has five fire apparatus for emergency response: Engine 3, Engine 2, Truck 4 and 2 staff vehicles. Each of these apparatuses have SCBAs assigned to them. The current SCBAs in service by the City of Willows Fire Department are 18 years old (purchased in 2002) and designed to NFPA 1981 standards. NFPA 1981 is the standard on open-circuit SCBAs for emergency services and establishes the minimum respiratory protection and functional requirements for SCBAs used by emergency services personnel. NFPA 1981 requirements have changed three times since 2002 (e.g., 2007, 2013, and 2018) each bringing major safety and performance improvements.

SCBAs are a commonly used piece of life safety equipment. Willows Firefighters use SCBAs while responding to a variety of emergency incidents, including structure fires, vehicle fires, debris fires, confined space entry, hazardous material spills, and other instances that result in an immediately dangerous to life and health (IDLH) environment.

In addition, staff recommends executing a contract with JMCM Consulting to prepare the AFG grant application. If awarded, grant funds would be used to replace the Fire Department's SCBAs that are currently unsafe, unreliable, and do not comply with industry standards. Furthermore, if approved, the City of Willows



would be the host agency for this regional grant partnering with the following local jurisdictions: Willows Rural Fire Protection District, Orland City Fire Department, Glenn Codora Fire Protection District, and Bayliss Fire Protection District. All partner agencies will be responsible for their respective costs incurred by the grant.

JMCM Consulting is a professional grant preparation firm with a proven track record in Glenn and Colusa Counties. Contracting with JMCM Consulting will increase the likelihood of a successful grant application and award.

The regional grant proposal between the agencies previously listed, increases the likelihood of a successful grant award. Glenn County Fire Departments are working together more now than ever, the need for uniform SCBAs will drastically improve fire ground safety, emergency response capacity and interoperability.

**Discussion & Analysis:**

The current SCBAs used by the City of Willows are aging and becoming increasingly unreliable. Sourcing replacement parts and finding technicians to repair and annually service the City's SCBAs is becoming more expensive and difficult. The current SCBAs are obsolete and do not conform to industry standards or best practices. Furthermore, replacing the obsolete cache of SCBAs is an immediate necessity and inevitable. Without this grant, the cost to replace the SCBAs would be approximately \$126,000 and would be incurred by the City's General Fund.

Contracting with JMCM Consulting to prepare the grant application ensures the City of Willows and its partners have the greatest opportunity to be competitive and successful in the grant process while meeting a very tight application deadline at a modest expense.

**Fiscal Impact:**

The total cost to the City will be for a not-to-exceed amount of \$14,000 (which includes the cost to contract with JMCM Consulting and the required local match). Should the grant application be successful, the City will realize a 90% discount on the SBCAs for a total of \$126,000. Staff recommends using Rule 20A monies to finance the required local match and to fund the grant writer.

Should the City be unsuccessful in securing the 2021 AFG grant, there is no cost to the City and JMCM Consulting would not receive any payment. There is only a cost commitment and requirement should the City of Willows be awarded the grant.

**Attachment:**

- Resolution XX-2021



**City of Willows  
Resolution xx-2021**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WILLOWS AUTHORIZING THE CITY MANAGER, OR HER DESIGNEE, TO SUBMIT AN ASSISTANCE TO FIREFIGHTERS GRANT (AFG) APPLICATION AND EXECUTE AN AGREEMENT BETWEEN JMCM CONSULTING FOR GRANT PREPARATION SERVICES.**

**WHEREAS**, the City recognizes that each year hundreds of thousands of dollars in damage, injuries and death to City residents occurs because of fire related incidents; and

**WHEREAS**, the safety of the public and Willows Firefighters is of paramount responsibility and concern of the City of Willows and the Willows Fire Department; and

**WHEREAS**, part of protecting the safety of Willows Firefighters includes ensuring that all equipment and supplies are up-to-date and satisfy industry standards, including Self-Contained Breathing Apparatus (SCBAs); and

**WHEREAS**, the Willows Fire Department's SCBAs are currently 18 years old and not in compliance with industry standards and best practices; and

**WHEREAS**, the Assistance to Firefighters Grant (AFG) that is due December 17, 2021 would allow the City of Willows to replace its outdated SCBAs and realize a cost savings of approximately \$126,000; and

**WHEREAS**, since there is a tight application deadline, it is also recommended that the grant writing services of JMCM Consulting be enlisted to successfully prepare the grant application on time; and

**NOW THEREFORE BE IT RESOLVED** that the City Council of the City of Willows does hereby authorize the City Manager, or her designee, to submit an AFG grant application and execute an agreement between the City and JMCM Consulting for grant preparation services.

**PASSED AND ADOPTED** by the City Council of the City of Willows this 23<sup>rd</sup> day of November 2021, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVE:

ATTEST:

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Larry Domenighini, Mayor

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Tara Rustenhoven, City Clerk



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Date: November 23, 2021  
To: City Councilmembers  
From: Marti Brown, Interim City Manager  
Subject: Cancel Regular City Council Meeting of December 28, 2021

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**Recommendation:**

Approve the cancellation of the December 28, 2021 Regular City Council Meeting and, instead, hold a Special Study Session on the status of the City's budget starting at 1:00 pm.

**Background:**

In previous years it has been Council's practice to cancel the second meeting in December. This year a Council Meeting is scheduled to occur on December 28, 2021. Due to the light schedule of activities typically experienced during the Christmas Holiday, along with employee absences/vacations, staff recommends that the Regular City Council meeting of December 28, 2021 be cancelled and, instead, the Council hold a Special Study Session on that day starting at 1:00 pm regarding the status of the City's budget.

**Fiscal Impact:**

There is no fiscal impact.

**Notification:**

Notice of Cancellation in local newspaper, social media, and City's Website.



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Date: November 23, 2021

To: Mayor Domenighini and City Council Members

From: Marti Brown, Interim City Manager  
David G. Ritchie, City Attorney

Subject: Adoption of a Resolution Establishing the Dates, Times, Place and Frequency of Regular City Council Meetings (WMC 2.04.050 (2))

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**Recommendation:** That the City adopt the resolution setting the dates (Second and Fourth Tuesdays of each month), Times (time to be determined based on the needs of each specific agenda), Place (Willows City Hall) and Frequency (Twice Monthly) of the Regular City Council Meetings of the City Council of the City of Willows

**Rationale for Recommendation:** The City is required to set regular meetings by resolution per the provisions of the municipal code.

**Background:** The City has, for a lengthy period of time, begun their regular meetings on a schedule each second and fourth Tuesday of each month, beginning at 7:00pm. It has recently preferred to hold the regular meetings at a slightly earlier hour to avoid the likelihood that a meeting will last late into the night

**Discussion & Analysis:** The attached resolution maintains the same location, frequency and days for the Regular City Council Meetings, but allows for the time of each meeting to change depending on the needs of the City for that particular agenda. For example, while generally a meeting start time of 6:00pm would be employed, if the Council required or it was operationally desirable to hold a closed session or a presentation or workshop before the beginning of the open session portion of the meeting, it could then schedule the start time for that particular meeting at an earlier hour to accommodate that need on an intermittent basis without adding a "Special Meeting" on the same date.

This is desirable because a "Special Meeting" has only a 24-hour notice requirement under the Brown Act and should be used only where an unanticipated need has arisen without sufficient time to place the matter before Council at a Regular Meeting. (Regular Meetings have a 72-hour Notice requirement for posting of agenda items. This allows more time for Councilmembers to review agenda items and more time for the public to become aware of and determine whether a particular item on the agenda is of interest to them. Meeting start times will continue to be announced in each posted agenda, as has historically been the City's practice.

**Fiscal Impact:** None

**Attachments:** Resolution No \_\_\_\_-2021

**RESOLUTION NO. \_\_\_-2021**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WILLOWS  
ESTABLISHING THE DATES, TIMES, PLACE AND FREQUENCY OF THE REGULAR  
MEETINGS OF THE CITY COUNCIL OF THE CITY OF WILLOWS**

**WHEREAS**, the City Council of the City of Willows (City) currently meet on the Second and Fourth Tuesdays of each month at City Hall in the City of Willows; and

**WHEREAS**, the Willows Municipal Code Section 2.04.050 (2) requires that the City Council set their Dates Times and Places and Frequency of their regular meetings;

**NOW, THEREFORE, BE IT RESOLVED THAT:**

SECTION 1. The City Council of the City of Willows, California shall hold their Regular City Council Meetings in the Council Chambers at the City of Willows City Hall, 201 North Lassen Street, in Willows, California;

SECTION 2. Regular City Council Meetings will be held twice monthly on the Second and Fourth Tuesday of each calendar month;

SECTION 3. Regular City Council Meetings shall begin at 6:00p.m. unless it is otherwise determined by the City Manager that an earlier or later start time is necessary to accommodate the matters included on a specific agenda on a case-by-case basis.

SECTION 4. The location, date, and time of each Regular Council Meeting shall be included at the top of the Agenda for that Regular Meeting and made available to the public no less than 72 hours before the scheduled meeting is to take place and in a manner consistent with the Requirements of the Brown Act (California Government Code Section 54950 et. seq.).

SECTION 5. All other prior resolutions (if any) establishing the dates, times and locations of Regular City Council Meetings of the City are hereby vacated.

SECTION 6. This resolution shall take effect immediately upon adoption.

**PASSED AND ADOPTED** by the Willows City Council this 14<sup>th</sup> day of September, 2021 by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

APPROVED:

ATTESTED:

\_\_\_\_\_  
Larry Domenighini, Mayor

\_\_\_\_\_  
Tara Rustenhoven, City Clerk