

CITY OF YUBA CITY
STAFF REPORT

Date: April 9, 2014
To: Honorable Mayor & Members of the City Council
From: Finance/IT Department
Presentation by: Robin Bertagna, CPA, Finance Director

Summary

Subject: Refunding the City's 2007 Wastewater Enterprise Installment Sale Agreement

Recommendation: Adopt a Resolution Authorizing the Issuance and sale of 2014 Wastewater Revenue Refunding Bonds In The Principal Amount of Not To Exceed \$7,500,000 to Provide Funds to Refinance Outstanding 2007 Wastewater Installment Sale Agreement and Approve Related Documents and Actions

Fiscal Impact: The City will recognize annual savings of approximately \$90,000 per year from fiscal year 2014-15 through fiscal year 2023-24. This equates to approximately \$800,000 net present value savings over the remaining life of the bond issue.

Purpose:

To refinance the 2007 Wastewater Enterprise Installment Sale Agreement at a lower interest rate and achieve significant savings on annual debt service.

Background:

In May, 2007, the City issued \$10.44 million in debt through a Wastewater Enterprise Installment Sale Agreement (the "2007 ISA") to refinance the 2002 Wastewater Revenue Bonds. The 2007 ISA was sold with an average interest rate of 4.37%, a final maturity of June 1, 2025 and a maximum annual debt service of approximately \$750,000. At present, about \$7.8 million of the original 2007 ISA debt is still outstanding. The current market conditions provide favorable interest rates for the evaluation of a possible refinancing of the 2007 ISA debt.

Analysis:

Staff has worked with the City's bond counsel, Jones Hall, and financial advisor, NHA Advisors, to evaluate various financing options. There are two realistic options for refinancing the 2007 ISA: publicly-offered debt through a competitive sale, and a private placement with a commercial bank. Based on current market conditions and proposals received, NHA Advisors has determined that the lowest all-in interest rate is available through a private placement with a commercial bank.

Working with Southwest Securities as private placement agent, NHA Advisors and Southwest Securities sent out a credit review package and bid form to 16 different commercial banks. Bids were received from 10 banks. JP Morgan Chase provided the lowest bid – a fixed interest rate of 2.45% through the final maturity of June 1, 2025.

The City currently holds an approximately \$850,000 debt service reserve fund for the 2007 ISA. The JP Morgan Chase bid does not require a debt service reserve fund to be held by the City. Consequently, those funds will be used to downsize the refinancing of the 2007 ISA. Refinancing the 2007 ISA with JP Morgan Chase will result in cash flow savings of about \$90,000 per year for the City's wastewater enterprise. The present value of these savings, net of all expenses, is about \$800,000, over 10% of the amount of 2007 ISA debt being refinanced.

The 2007 ISA is callable on June 1, 2014 at a redemption premium of 1%. With Council approval at its meeting of April 9th, the City's finance team intends to close the refinancing transaction on April 22nd. On April 22, 2014, the newly issued bond proceeds will be placed in an irrevocable escrow deposit and trust account with Union Bank sufficient to provide payment in full on the 2007 ISA on the call date, June 1, 2014. This allows the City to issue the new bonds and close the transaction prior to the call date, and also allows the City adequate time to provide the necessary redemption notice. The JP Morgan Chase rate lock expires April 30, 2014. Therefore, this transaction must be completed prior to that date.

Debt Issuance:

At this time, the Council will consider taking action to approve a resolution of the City Council of the City of Yuba City authorizing the issuance and sale of 2014 Wastewater Revenue Refunding Bonds ("2014 Refunding Bonds") in the maximum amount of \$7.5 million to refinance the outstanding 2007 ISA and approve related agreements and actions.

Pursuant to the resolution, two additional documents are proposed for approval by the City Council:

1. The **Escrow Deposit and Trust Agreement**, which details how the refinancing will be accomplished. This agreement establishes an Escrow Fund to be held by Union Bank, which will hold the proceeds of the refinancing. Under the agreement, Union Bank agrees to apply the funds held by it thereunder to pay the redemption price of the 2007 ISA. The financing schedule calls for the 2014 Refunding Bonds to be issued on April 22nd and the 2007 ISA to be redeemed on June 1.
2. The **Bond Purchase Agreement**, which obligates JPMorgan Chase to purchase the 2014 Refunding Bonds and which specifies all of the terms and conditions for the closing of the refunding transaction.

These documents have been thoroughly reviewed by City staff, our financial advisor and bond counsel.

Fiscal Impact:

The City will recognize annual savings of approximately \$90,000 per year from fiscal year 2014-15 through fiscal year 2023-24. This equates to approximately \$800,000 net present value savings over the remaining life of the bond issue.

Alternatives:

Do not proceed with the refinancing. If this option is chosen, the City will continue to pay debt service on the existing 2007 ISA and forego the interest savings.

Recommendation:

Staff recommends approval of the resolution authorizing the issuance and sale of Water Revenue Refunding Bonds.

Attachments:

- Resolution Authorizing the issuance and Sale of 2014 Wastewater Revenue Refunding Bonds
- Escrow Deposit and Trust Agreement
- Bond Purchase Agreement
- Sources and Uses of Funds prepared by NHA Advisors related to refinancing of 2007 ISA.

Prepared By:

Submitted By:

/s/ Robin Bertagna

/s/ Steven C. Kroeger

Robin Bertagna, CPA
Finance Director

Steven C. Kroeger
City Manager

Reviewed By:

City Attorney

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RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
AUTHORIZING THE ISSUANCE AND SALE OF 2014 WASTEWATER
REVENUE REFUNDING BONDS IN THE MAXIMUM AMOUNT OF
\$7,500,000 TO REFINANCE OUTSTANDING 2007 INSTALLMENT
SALE AGREEMENT, AND APPROVING RELATED AGREEMENTS AND
ACTIONS**

WHEREAS, the City owns and operates a public enterprise for the collection, treatment and disposal of wastewater within the service area of the City (the "Wastewater System"); and

WHEREAS, in order to refinance obligations previously issued to finance improvements to the Wastewater System, the City has entered into an Installment Sale Agreement dated as of May 23, 2007 (the "2007 Installment Sale Agreement"), between the City and LaSalle Bank National Association, under which the City is obligated to pay semiannual installment payments (the "2007 Installment Payments") which are secured by a pledge of and lien on the net revenues from the Wastewater System; and

WHEREAS, the City is authorized under the 2007 Installment Sale Agreement to prepay the 2007 Installment Payments in full on June 1, 2014, at a prepayment price equal to 101.0% of the unpaid principal balance of the 2007 Installment Payments together the interest installment of the 2007 Installment Payments coming due on such date; and

WHEREAS, the City has determined that it is in the best interests of the City to prepay the 2007 Installment Payments in full on June 1, 2014, and in order to provide funds for that purpose the City Council of the City wishes to authorize the issuance and sale of the City of Yuba City 2014 Wastewater Revenue Bonds in the aggregate principal amount of not to exceed \$7,500,000 (the "Bonds") under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"); and

WHEREAS, the Bonds will be secured by a pledge of and lien on the net revenues derived by the City from the operation of the Wastewater System, on a parity with the pledge and lien which secures the outstanding City of Yuba City 2011 Wastewater Revenue Refunding Bonds which have been issued by the City in the aggregate original principal amount of \$9,715,000, and on a parity with the pledge and lien which secures State Revolving Fund loans which have previously been made to the City by the California State Water Resources Control Board with respect to the Wastewater System; and

WHEREAS, the City has received a proposal from JPMorgan Chase Bank, N.A., to purchase the Bonds at an interest rate which ensures that the City will realize substantial savings from the refunding of the 2007 Installment Payments; and

WHEREAS, the City Council wishes to take action at this time authorizing the issuance and sale of the Bonds and approving related documents and actions, in furtherance of the public purposes of the City;

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

ARTICLE I

DEFINITIONS; AUTHORITY

SECTION 1.01. *Definitions.* The terms defined in this Section, as used and capitalized herein, shall, for all purposes of this Resolution, have the meanings given them below, unless the context clearly requires some other meaning.

“Additional Revenues” means, with respect to the issuance of any Parity Debt, any or all of the following amounts:

- (i) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater System to be made by the City during the 36-month period following the issuance of such Parity Debt, in an amount equal to 100% of the estimated additional average annual Net Revenues to be derived from all properties which are improved with a structure the construction of which has been completed prior to the date of issuance of such Parity Debt and to which service will be provided by such additions, improvements and extensions, all as shown by the certificate or opinion of a Fiscal Consultant.
- (ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Wastewater System which has become effective prior to the incurring of such Parity Debt but which, during all or any part of the most recent completed Fiscal Year for which audited financial statements of the City are available, or for any more recent consecutive 12-month period selected by the City under Section 5.08(b), was not in effect, in an amount equal to the total 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 or 12-month period, all as shown by the certificate or opinion of a Fiscal Consultant.

“Authorized Officer” means the Mayor, City Manager, Director of Finance or any other officer or representative of the City duly authorized to act on behalf of the City hereunder or otherwise with respect to the Bonds, pursuant to a Certificate of the City.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Law” means the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

“Bond Purchase Agreement” means the Bond Purchase Agreement between the City and the Original Purchaser, relating to the purchase of the Bonds by the Original Purchaser.

“Bonds” means the City of Yuba City 2014 Wastewater Revenue Refunding Bonds issued and at any time Outstanding hereunder.

“Certificate of the City” means a certificate in writing signed by an Authorized Officer of the City.

“City” means the City of Yuba City, a municipal corporation organized and existing under the laws of the State of California, and any successor thereto.

“Closing Date” means the date of delivery of the Bonds to the Original Purchaser.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of the Bonds and the current refunding of the 2007 Installment Payments, including but not limited to printing expenses, filing and recording fees, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, and any other cost, charge or fee in connection with the original issuance of the Bonds and the current refunding of the 2007 Installment Payments.

“Debt Service” means, with respect to any Fiscal Year, the aggregate amount of principal of and interest on the Outstanding Bonds, 2011 Bonds, SRF Loans and Parity Debt coming due and payable in such Fiscal Year, including the principal amount thereof which is subject to mandatory sinking fund redemption in such Fiscal Year.

“Escrow Agreement” means the Escrow Deposit and Trust Agreement dated as of the Closing Date, between the City and Union Bank, N.A, as escrow agent, relating to the current refunding of the 2007 Installment Payments.

“Event of Default” means any of the events described in Section 7.01.

“Federal Securities” means any of the following which at the time of investment are legal investments under the laws of the State of California for the funds purported to be invested therein: (a) 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 of the United States of America); and (b) obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully secured or guaranteed by the full faith and credit of the United States of America.

“Financial Consultant” means any consultant or firm of such consultants appointed by the City and who, or each of whom: (a) is judged by the City to have experience in matters relating to the financing of wastewater systems; (b) is in fact

independent and not under domination of the City; (c) does not have any substantial interest, direct or indirect, with the City; and (d) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City.

“Fiscal Year” means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or such other period as may be established by the City as its official fiscal year period.

“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 Wastewater System or otherwise arising from the Wastewater System, including but not limited to (a) connection, capacity and extension charges and fees, (b) any amounts transferred to the Wastewater Fund from a Rate Stabilization Fund in accordance with Section 4.03, and (c) investment earnings on the foregoing. Gross Revenues do not include (i) the proceeds of any *ad valorem* property taxes levied for the purpose of paying general obligation bonds of the City relating to the Wastewater System, and (ii) 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 Wastewater System.

“Independent Accountant” means any accountant or firm of such accountants appointed and paid by the City, and who, or each of whom (a) is in fact independent and not under domination of the City; (b) does not have any substantial interest, direct or indirect, with the City; and (c) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or other audits of the books of or reports to the City.

“Interest Payment Date” means June 1 and December 1 in each year, beginning June 1, 2014, and continuing so long as any Bonds remain Outstanding.

“Maximum Annual Debt Service” means, as of the date of any calculation, the maximum amount of Debt Service on the Outstanding Bonds, 2011 Bonds, SRF Loans and Parity Debt for the current or any future Fiscal Year.

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

“Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Wastewater System, determined in accordance with generally accepted accounting principles, including but not limited to (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and (b) the reasonable administrative costs of the City attributable to the operation and maintenance of the Wastewater System. “Operating and Maintenance Costs” do not include (i) debt service payable on obligations incurred by the City with respect to the Wastewater System, including but not limited to the Installment Payments and any Parity Debt, (ii) fees charged to the Wastewater System by the City which are not for services essential to the operation of the Wastewater System, (iii) depreciation,

replacement and obsolescence charges or reserves therefor, and (iv) amortization of intangibles or other bookkeeping entries of a similar nature.

“Original Purchaser” means JPMorgan Chase Bank, N.A., as original purchaser of the Bonds upon the negotiated sale thereof, or its successors or assigns.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Treasurer under this Resolution except: (a) Bonds theretofore canceled by the Treasurer or surrendered to the Treasurer for cancellation; (b) Bonds with respect to which all liability of the City has been discharged in accordance with Section 8.03; (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Treasurer under this Resolution; and (d) Bonds which are required to be disregarded and not deemed Outstanding under Section 8.05.

“Owner”, when used with respect to any Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

“Parity Debt” means all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the City payable from and secured by a pledge of and lien on any of the Net Revenues issued or incurred on a parity with the Bonds under Section 5.08.

“Parity Debt Documents” means, with respect to any issue of Parity Debt, the agreement, indenture of trust, resolution or other instrument authorizing the issuance of such Parity Debt.

“Rate Stabilization Fund” means the fund (if any) by that name established and held by the City under Section 4.03.

“Record Date” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date.

“Registration Books” means the books maintained by the Treasurer under Section 2.07 for the registration and transfer of ownership of the Bonds.

“Request of the City” means a request in writing signed by an Authorized Officer of the City.

“Resolution” means this Resolution adopted by the City Council of the City on April 9, 2014, including any duly authorized and adopted amendments hereto or supplements hereof.

“SRF Financing Agreements” means, collectively, (a) that certain Project Finance Agreement (Agreement No. 11-830-550) entered into as of October 21, 2011, between the City and the California State Water Resources Control Board, and (b) that certain Project Finance Agreement (Agreement No. 12-804-550) entered into as of April 5, 2012, between the City and the California State Water Resources Control Board.

“SRF Loans” means, collectively, the loans made to the City under the SRF Financing Agreements.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“2007 Installment Payments” means the amounts payable by the City under Section 4.4 of the 2007 Installment Sale Agreement, including any prepayment thereof under Section 7.2 of the 2007 Installment Sale Agreement.

“2007 Installment Sale Agreement” means the Installment Sale Agreement dated as of May 23, 2007, between LaSalle Bank National Association, as seller, and the City, as purchaser.

“2011 Bond Indenture” means the Indenture of Trust dated as of November 1, 2011, between the City and Union Bank, N.A., as trustee for said bonds, including all duly authorized and executed amendments thereto and supplements thereof.

“2011 Bonds” means the City of Yuba City 2011 Wastewater Revenue Refunding Bonds issued in the aggregate original principal amount of \$9,715,000 and at any time outstanding under the 2011 Bond Indenture.

“Treasurer” means the person at any time acting as, or otherwise performing the functions of, the treasurer of the City.

“Wastewater Fund” means the fund or funds established and held by the City with respect to the Wastewater System for the deposit of Gross Revenues.

“Wastewater System” means the entire wastewater collection, treatment and disposal system of the City, including but not limited to all facilities, properties and improvements at any time owned or operated by the City for the collection, treatment and disposal of wastewater within the service area of the City, together with any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the City.

SECTION 1.03. *Interpretation.*

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Resolution; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Resolution as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

ISSUANCE OF BONDS

SECTION 2.01. *Authorization and Purpose of Bonds.* The City has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the City is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Resolution.

The City hereby authorizes the issuance of Bonds in the aggregate principal amount of not to exceed \$7,500,000 under the Bond Law for the purposes of providing funds to refund the 2007 Installment Payments. The Bonds are authorized and issued under, and are subject to the terms of, this Resolution and the Bond Law. The Bonds are designated the "City of Yuba City 2014 Wastewater Revenue Refunding Bonds".

SECTION 2.02. *Terms of the Bonds.*

(a) Maturity. The Bonds shall be issued in the form of a single fully-registered Bond which matures on June 1, 2014. The Bonds shall be subject to mandatory sinking fund redemption for the purpose of providing for the amortization thereof, as provided in Section 2.03(b).

(b) Interest Provisions. Interest on the Bonds shall be calculated on the basis of a 360-day year comprised of twelve 30-day months, and shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on any Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided in

subsection (c) below. Interest on any Bond which is not punctually paid or duly provided for on any Interest Payment Date shall be payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Treasurer, notice of which is given to such Owner by first-class mail not less than ten days prior to such special record date.

(c) Payment of Principal and Interest. The Treasurer shall pay interest on the Bonds by check of the City mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Treasurer as of any Record Date, the Treasurer will pay principal of and interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Treasurer will pay principal of the Bonds in lawful money of the United States of America by check of the City upon presentation and surrender thereof at the office of the Treasurer.

(d) Provisions of Bond Purchase Agreement to Control. Notwithstanding the foregoing provisions of this Section and the following provisions of Section 2.03, any of the terms of the Bonds may be established or modified under the Bond Purchase Agreement. In the event of a conflict or inconsistency between this Resolution and the Bond Purchase Agreement relating to the terms of the Bonds, the provisions of the Bond Purchase Agreement shall be controlling.

SECTION 2.03. *Redemption of Bonds.*

(a) No Optional Redemption. The Bonds are not subject to optional redemption prior to maturity.

(b) Mandatory Sinking Fund Redemption. The Bonds shall be subject to mandatory sinking fund redemption in part, on June 1 in each of the years and in the respective principal amounts as set forth in the Bond Purchase Agreement, from deposits made for such purpose under Section 4.03(b), at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium. No notice of sinking fund redemption is required to be given to the Owner of the Bonds.

(c) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest on the Bonds so called for redemption have been duly provided, no interest shall accrue thereon from and after the redemption date.

SECTION 2.04. *Form and Execution of Bonds.* The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) in the aggregate principal amount of the Bonds, which shall be executed, authenticated and delivered to the Original Purchaser on the Closing Date. Upon initial

delivery of Bonds to the Original Purchaser, the Treasurer shall register the ownership of the Bonds on the Registration Books in the name of the Original Purchaser.

The Bonds, the form of Treasurer's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Resolution.

The Mayor of the City shall execute, and the City Clerk of the City shall attest each Bond. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Bond are the proper officers of the City, duly authorized to execute debt instruments on behalf of the City, although on the date of such Bond any such person was not an officer of the City.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix A, manually executed and dated by the Treasurer, shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such certificate of the Treasurer shall be conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Resolution.

SECTION 2.05. *Transfer and Exchange of Bonds.*

(a) Transfer. A Bond may be transferred in accordance with its terms and with the provisions of the Bond Purchase Agreement. A Bond may be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of that Bond to the Treasurer for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Treasurer, duly executed. Whenever any Bond or Bonds are surrendered for transfer, the City will execute and the Treasurer shall authenticate and deliver to the transferee a new Bond or Bonds of like interest rate, maturity and aggregate principal amount. The City will pay the cost of any services rendered or expenses incurred by the Treasurer in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the office of the Treasurer for a like aggregate principal amount of Bonds of other authorized denominations. The City will pay the cost of any services rendered or expenses incurred by the Treasurer in connection with any exchange of Bonds.

(c) Limitations. The Treasurer may refuse to transfer or exchange, under the provisions of this Section, any Bonds selected by the City for redemption under Section 2.03.

SECTION 2.06. *Registration Books.* The treasurer is hereby appointed to act as registrar, transfer agent and authentication agent for the Bonds. As such, the Treasurer will keep or cause to be kept sufficient records for the registration and registration of transfer of the Bonds. The Treasurer will register the ownership and transfer of the Bonds on the Registration Books under such reasonable regulations as it may prescribe.

ARTICLE III

SALE OF BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. *Issuance of Bonds.* Upon the execution and delivery of this Resolution, the City shall execute and deliver Bonds in the aggregate principal amount of not to exceed \$7,500,000 to the Treasurer and the Treasurer shall authenticate and deliver the Bonds to the Original Purchaser upon receipt of a Request of the City therefor.

SECTION 3.02. *Sale of Bonds.* The City Council hereby authorizes the negotiated sale of the Bonds to the Original Purchaser, pursuant to the Bond Purchase Agreement in substantially the form on file with the City Clerk together with such changes therein, deletions therefrom and modifications thereto as an Authorized Officer of the City may approve, such approval to be conclusively evidenced by the execution and delivery of the Bond Purchase Agreement. An Authorized Representative is hereby authorized to execute and deliver the final form of the Bond Purchase Agreement in the name and on behalf of the City.

SECTION 3.03. *Deposit and Application of Proceeds.* At the Request of the City filed with the Original Purchaser as of the Closing Date, the proceeds of the Bonds shall be applied as follows:

- (a) The Original Purchaser shall disburse an amount designated in such Request of the City for payment of Costs of Issuance which are authorized under such Request of the City.
- (b) The Original Purchaser shall transfer the remainder of such proceeds to Union Bank, N.A. for deposit and application in accordance with the Escrow Agreement, to be applied to pay and prepay the 2007 Installment Payments in full on June 1, 2014.

SECTION 3.04. *Refunding of 2007 Installment Payments.* The City Council hereby authorizes and approves the refunding of the 2007 Installment Payments from the proceeds of the Bonds and other available funds pursuant to the Escrow Agreement. The Escrow Agreement is hereby approved in substantially the form on file with the City Clerk together with any changes therein or additions thereto deemed advisable by an Authorized Officer, and the execution thereof by an Authorized Officer shall be conclusive evidence of the approval of such changes and additions. The City Council hereby authorizes and directs an Authorized Officer to execute the final form of the Escrow Agreement for and in the name of the City. The City Council hereby authorizes the delivery and performance of the Escrow Agreement.

The City covenants that on the Closing Date, all liability and obligations of the City in respect of the 2007 Installment Payments shall be fully discharged and satisfied under and in accordance with the provisions of the 2007 Installment Sale Agreement, and thereafter the 2007 Installment Payments shall cease to be secured by a pledge of and lien on the Net Revenues.

SECTION 3.05. *Actions to Close Bond Issuance.* Each City Representative and any and all other officers of the City are each authorized and directed in the name and on behalf of the City to execute and deliver any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Bonds. Whenever in this Resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf if such officer is absent or unavailable.

SECTION 3.06. *Validity of Bonds.* The recital contained in the Bonds that they are issued under the laws of the State of California shall be conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV

REVENUES; FLOW OF FUNDS

SECTION 4.01. *Pledge of Net Revenues.* The Bonds shall be secured by a first pledge of and lien on all of the Net Revenues, on a parity with the 2011 Bonds, the SRF Loans and any additional Parity Debt. So long as any of the Bonds are Outstanding, the Net Revenues and such moneys may not be used for any other purpose; except that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by Section 4.02.

SECTION 4.02. *Receipt, Deposit and Application of Net Revenues.*

(a) Establishment and Maintenance of Wastewater Fund. The City has previously established the Wastewater Fund, which it will continue to hold and maintain for the purposes and uses set forth herein. The City shall deposit all Gross Revenues in the Wastewater Fund promptly upon the receipt thereof, and shall apply amounts in the Wastewater Fund solely for the uses and purposes set forth herein and for the uses and purposes set forth in the 2011 Bond Indenture, the SRF Financing Agreements and any Parity Debt Documents.

(b) Application of Amounts in Wastewater Fund. In addition to transfers which are required to be made for repayment of the 2011 Bonds, the SRF Loans and any Parity Debt, the City shall withdraw amounts on deposit in the Wastewater Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

- (i) *Operation and Maintenance Costs.* The City shall apply amounts on deposit in the Wastewater Fund to pay all Operation and Maintenance Costs when due.
- (ii) *Bond Payments.* On or before each Interest Payment Date, so long as any Bonds remain Outstanding hereunder, the City shall apply

amounts on deposit in the Wastewater Fund to pay the aggregate amount of principal and interest coming due and payable on the Bonds on such Interest Payment Date in accordance with Section 2.02, including paying the principal of the Bonds coming due and payable upon the mandatory sinking fund redemption thereof.

(c) Other Uses of Wastewater Fund. The City shall manage, conserve and apply moneys in the Wastewater Fund in such a manner that all deposits required to be made under this Section and under the 2011 Bond Indenture, the SRF Financing Agreements and any Parity Debt Documents will be made at the times and in the amounts so required.

So long as no Event of Default has occurred and is continuing, the City may at any time use and apply moneys in the Wastewater Fund for any one or more of the following purposes:

- (i) the payment of any subordinate obligations or any unsecured obligations;
- (ii) the acquisition and construction of extensions and improvements to the Wastewater System;
- (iii) the redemption of any of the Bonds or any other obligations of the City relating to the Wastewater System; or
- (iv) any other lawful purpose of the City relating to the Wastewater System.

SECTION 4.03. *Establishment of Rate Stabilization Fund.* The City has the right at any time to establish a fund to be held by it and administered in accordance with this Section, for the purpose of stabilizing the rates and charges imposed by the City with respect to the Wastewater System. From time to time the City may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues which are released from the pledge and lien which secures the Bonds, the 2011 Bonds, the SRF Loans and any Parity Debt, as the City may determine.

The City may, but is not required to, withdraw from any amounts on deposit in a Rate Stabilization Fund and deposit such amounts in the Wastewater Fund in any Fiscal Year for the purpose of paying debt service coming due and payable on the Bonds, the 2011 Bonds, the SRF Loans and any outstanding Parity Debt in such Fiscal Year. Amounts so transferred from a Rate Stabilization Fund to the Wastewater Fund shall constitute Gross Revenues for such Fiscal Year (except as otherwise provided herein), and shall be applied for the purposes of the Wastewater Fund. Amounts on deposit in a Rate Stabilization Fund shall not be pledged to or otherwise secure the Bonds, the 2011 Bonds, the SRF Loans or any Parity Debt. All interest or other earnings on deposits in a Rate Stabilization Fund shall be withdrawn therefrom at least annually and accounted for as Gross Revenues in the Wastewater Fund. The City has the right at any time to withdraw any or all amounts on deposit in a Rate Stabilization Fund and apply such amounts for any lawful purposes of the City.

SECTION 4.04. *Investments.* All moneys in the Wastewater Fund and the Rate Stabilization Fund (if any) shall be invested by the City from time to time in any securities in which the City may legally invest funds subject to its control under the laws of the State of California.

The City covenants that all investments of amounts deposited in any fund or account created by or under this Resolution, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Resolution or the Tax Code) at Fair Market Value as such term is defined below.

Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued at cost thereof (consisting of present value thereof within the meaning of Section 148 of the Tax Code). Except as provided in the proceeding sentence, for the purpose of determining the amount in any fund, the City shall value investments credited to such fund at least annually at the Fair Market Value thereof.

For purposes of this Section, the term "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 Tax 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 Tax 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 Tax Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

ARTICLE V

FINANCIAL COVENANTS

SECTION 5.01. *Punctual Payment; Compliance With Documents.* The City shall punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of this Resolution, and will faithfully observe and perform all of the conditions, covenants and requirements of this Resolution.

SECTION 5.02. *Compliance With Parity Documents.* The City will observe and perform all of the covenants, agreements and conditions on its part required to be observed and performed under the 2011 Bond Indenture, the SRF Financing Agreements and any Parity Debt Documents. The City will not take or omit to take any action within its control which would, or which if not corrected with the passage of time

would, constitute an event of default under and within the meaning of the 2011 Bond Indenture , the SRF Financing Agreements and any Parity Debt Documents.

SECTION 5.03. *Operation of Wastewater System in Efficient and Economical Manner.* The City covenants and agrees to operate the Wastewater System in an efficient and economical manner and to operate, maintain and preserve the Wastewater System in good repair and working order.

SECTION 5.04. *Sale or Eminent Domain of Wastewater System.* Except as provided herein, the City covenants that the Wastewater System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise dispose of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the City to pay the principal of or interest on the Bonds or any Parity Debt, or would materially adversely affect its ability to comply with the terms of this Resolution any Parity Debt Documents. The City shall not enter into any agreement which impairs the operation of the Wastewater System or any part of it necessary to secure adequate Net Revenues to pay the Bonds, the 2011 Bonds, the SRF Loans and any Parity Debt, or which otherwise would impair the rights of the Bond Owners with respect to the Net Revenues.

If any substantial part of the Wastewater System is sold, the payment therefor shall be used for the acquisition or construction of improvements and extensions or replacement facilities.

Any amounts received as awards as a result of the taking of all or any part of the Wastewater System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the City, shall be used for the purposes set forth in the 2011 Bond Indenture, the SRF Financing Agreements and the Parity Debt Documents, including for the acquisition or construction of improvements and extension of the Wastewater System.

SECTION 5.05. *Insurance.* The City will at all times maintain with responsible insurers all such insurance on the Wastewater System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Wastewater System. If any useful part of the Wastewater System is damaged or destroyed, such part must be restored to usable condition. All amounts collected from insurance against accident to or destruction of any portion of the Wastewater System shall be used for the purposes set forth in the 2011 Bond Indenture, the SRF Financing Agreements and the Parity Debt Documents, including to repair or rebuild such damaged or destroyed portion of the Wastewater System. The City shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the City and the Owners of the Bonds.

SECTION 5.06. *Books and Accounts; Financial Statements; Additional Information.* The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The City will cause to be prepared annually, within 210 days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year, certified by an Independent Accountant, as of the end of such Fiscal Year. The City will furnish a copy of such statements to the Original Purchaser and, upon reasonable request, to any other Owner.

SECTION 5.07. *Rates and Charges.* The City shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues (excluding any amounts transferred from a Rate Stabilization Fund) sufficient to pay the following amounts in the following order of priority:

- (a) All Operation and Maintenance Costs estimated by the City to become due and payable in such Fiscal Year;
- (b) The principal of and interest on the Bonds, the 2011 Bonds, the SRF Loans and any Parity Debt as they become due and payable during such Fiscal Year, without preference or priority, except to the extent such interest is payable from proceeds of Parity Debt deposited for such purpose;
- (c) All payments required to meet any other obligations of the City which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues during such Fiscal Year.

In addition, the City shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are sufficient to yield Net Revenues which are at least equal to 120% of the amount described in the preceding clause (b) for such Fiscal Year. For purposes of this paragraph, the amount of Net Revenues for a Fiscal Year will be computed on the basis that (a) any transfers into the Wastewater Fund in such Fiscal Year from any Rate Stabilization Fund are included in the calculation of Net Revenues, and (b) any deposits into the Rate Stabilization Fund in such Fiscal Year are deducted from the amount of Net Revenues to the extent such deposits are made from Gross Revenues received by the City during that Fiscal Year.

SECTION 5.08. *Issuance of Parity Debt.* The City may issue Parity Debt in such principal amount as it determines, subject to the following conditions precedent:

- (a) No Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods have passed, would constitute an Event of Default) has occurred and is continuing.
- (b) The Net Revenues (excluding any amounts derived from a Rate Stabilization Fund), calculated in accordance with sound accounting principles, as shown by the books of the City for the most recent completed Fiscal Year for which audited financial statements of the

City are available, or for any more recent consecutive 12-month period selected by the City, in either case verified by an Independent Accountant or a Fiscal Consultant or shown in the audited financial statements of the City, plus (at the option of the City) any Additional Revenues, at least equal 120% of Maximum Annual Debt Service (taking into account the Parity Debt then proposed to be issued);

- (c) The City shall deliver to the Original Purchaser a Certificate of the City certifying, and an opinion of Bond Counsel stating, that the conditions precedent to the issuance of such Parity Debt set forth in this Section have been satisfied.

SECTION 5.09. *Superior and Subordinate Obligations.* The City may not issue or incur any additional bonds or other obligations having any priority in payment of principal or interest out of the Net Revenues over the Bonds. Nothing herein limits or affects the ability of the City to issue or incur (a) Parity Debt, or (b) obligations which are either unsecured or which are secured by an interest in the Net Revenues which is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder.

SECTION 5.10. *Tax Covenants Relating to the Bonds.*

(a) Generally. The City shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, interest on the Bonds to become includable in gross income for federal income tax purposes.

(b) Private Activity Bond Limitation. The City shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to become "private activity bonds" within the meaning of section 141(a) of the Tax Code or to meet the private loan financing test of Section 141(c) of the Tax Code.

(c) Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(d) No Arbitrage. The City shall not take, or permit or suffer to be taken, any action with respect to the Bond proceeds 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 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

(e) Rebate of Excess Investment Earnings. The City shall calculate or cause to be calculated all amounts of excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America under Section 148(f) of the Tax Code, at the times and in the manner required under the Tax Code. The City shall pay when due an amount equal to excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required under the Tax Code, such payments to be made from any source of legally available funds of the City. The City shall keep or cause to be kept, and retain or cause to be

retained for a period of six years following the retirement of the Bonds, records of the determinations made under this subsection (e).

(f) Small Issuer Exemption from Bank Nondeductibility Restriction. The 2007 Installment Payments were designated by the City for purposes of paragraph (3) of Section 265(b) of the Tax Code, and not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Tax Code) from gross income for federal income tax purposes, including the 2007 Installment Payments, were issued by the City and all of its subordinate entities during the 2007 calendar year. The average maturity of the Bonds is not later than the average maturity of the 2007 Installment Payments. The last maturity date of the Bonds is not more than 30 years after the date of issuance of the 2007 Installment Payments. The aggregate face amount of the Bonds does not exceed \$10,000,000. By reason of the statements set forth in this subparagraph, the Bonds are deemed designated for purposes of paragraph (3) of Section 265(b) of the Tax Code.

SECTION 5.11. *Additional Information to Original Purchaser.* The City shall provide such additional information as the Original Purchaser shall reasonably request from time to time pursuant to written notice to the City.

SECTION 5.12. *Further Assurances.* The City will adopt, 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 Resolution, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Resolution.

ARTICLE VI

MODIFICATION AND AMENDMENT OF THIS RESOLUTION

SECTION 6.01. *Amendments With Bond Owner Consent.* This Resolution and the rights and obligations of the City and of the Owners of the Bonds may be modified or amended by the City by the adoption of an amendatory resolution, but only with the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding. No such modification or amendment may:

- (a) extend the maturity of any Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the City to pay the principal thereof, or interest thereon, at the time and place and at the rate and in the currency provided therein, without the written consent of the Owner of such Bond, or
- (b) permit the creation by the City of any mortgage, pledge or lien upon the Net Revenues which is superior to or on a parity with the pledge and lien created for the benefit of the Bonds, or reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification.

SECTION 6.02. *Amendments Without Bond Owner Consent.* This Resolution and the rights and obligations of the City and of the Owners of the Bonds may also be modified or amended at any time by an amendatory resolution, without the consent of any Owners of the Bonds, but only for any one or more of the following purposes:

- (a) to add to the covenants and agreements of the City contained in this Resolution, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;
- (b) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in this Resolution, or in any other respect whatsoever as the City deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel;
- (c) to provide for the issuance of Parity Debt under Section 5.08, and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of Section 5.08; or
- (d) to amend any provision hereof to assure the exclusion from gross income of interest on the Bonds for federal income tax purposes under the Tax Code, in the opinion of Bond Counsel.

Notwithstanding the foregoing provisions of this Section, so long as the Original Purchaser is the Owner of all of the Outstanding Bonds, no amendment shall be made under this Section without the prior written consent of the Original Purchaser.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

SECTION 7.01. *Events of Default.* Each of the following events constitutes an Event of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the City to observe and perform any of the other covenants, agreements or conditions on its part contained in this Resolution or in the Bonds, if such failure has continued for a period

of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the City by any Bond Owner; *provided, however*, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 30-day period, such failure will not constitute an Event of Default if corrective action is instituted by the City within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

- (d) The City commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in the 2011 Bond Indenture, the SRF Financing Agreements or in any Parity Debt Documents.

SECTION 7.02. *Remedies.* If an Event of Default occurs and is continuing, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding may (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything in this Resolution or in the Bonds to the contrary notwithstanding, and (b) exercise any other remedies available to the Bond Owners in law or at equity to enforce their rights under this Resolution.

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the City shall pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest at an interest rate of 10% per annum, and any and all other defaults (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the a majority in aggregate principal amount of the Outstanding Bonds, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the City, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

The right of any Owner of any Bond to receive payment of the principal of and interest on such Bond as herein provided, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Resolution.

SECTION 7.03. *Non-waiver.* Nothing in this Article or in any other provision of this Resolution or in the Bonds, affects or impairs the obligation of the City, which is absolute and unconditional, to pay from the Net Revenues and other amounts pledged hereunder, the principal of and interest on the Bonds to the Bond Owners when due and payable as herein provided, or affects or impairs the right of action, which is also absolute and unconditional, of the Bond Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner does not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Owners by the Bond Law or by this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners.

If a suit, action or proceeding to enforce any right or exercise any remedy is abandoned or determined adversely to the Owners, the City, the Owners will be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

SECTION 7.04. *Remedies Not Exclusive.* No remedy herein conferred upon or reserved to the Owners is intended to be exclusive of any other remedy. 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, and may be exercised without exhausting and without regard to any other remedy conferred by the Bond Law or any other law.

SECTION 7.05. *Control of Remedies by Original Purchaser.* Notwithstanding anything herein to the contrary, for so long as a majority in aggregate principal amount of the Outstanding Bonds are owned by the Original Purchaser, the Original Purchaser shall have the right to control all actions relating to events of default or waivers thereof, or remedies or consents or the exercise of any other rights granted to the Bond Owners hereunder. Any time the consent of, or notice to, the Original Purchaser is required under this Resolution, such consent or notice is only required if the Original Purchaser shall own at least a majority in aggregate principal amount of the Outstanding Bonds. All provisions herein relating to the rights of the Original Purchaser shall be of no force and effect if the Original Purchaser no longer owns a majority in principal amount of Outstanding Bonds. In such event, all references to the Original Purchaser shall have no force or effect.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. *Limited Liability of the City.* Notwithstanding anything in this Resolution contained, the City is not required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the principal of or interest on the Bonds, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Net Revenues). The City may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the City for such purpose without incurring indebtedness.

The Bonds are revenue bonds, payable exclusively from the Net Revenues and other funds as provided in this Resolution. The Wastewater Fund is not liable, and the

credit of the City is not pledged, for the payment of the interest on or principal of the Bonds. The Owners of the Bonds have no right to compel the forfeiture of any property of the City. The principal of and interest on the Bonds are not a debt of the City, or a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or upon any of its income, receipts or revenues except the Net Revenues and other funds pledged to the payment thereof as provided in this Resolution.

SECTION 8.02. *Benefits of Resolution Limited to Parties.* Nothing in this Resolution, expressed or implied, gives to any person other than the City, the Original Purchaser and the Owners of the Bonds, any right, remedy or claim under or by reason of this Resolution. Any covenants, stipulations, promises or agreements in this Resolution contained by and on behalf of the City shall be for the sole and exclusive benefit of the Owners of the Bonds.

SECTION 8.03. *Defeasance of Bonds.* If the City pays and discharges the entire indebtedness on any Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing with a fiduciary agent, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under this Resolution, is fully sufficient to pay such Bonds, including all principal and interest;
- (c) by irrevocably depositing with a fiduciary agent, in trust, at or before maturity, Federal Securities, which, together with the interest to accrue thereon and available amounts then on deposit in the funds and accounts established under this Resolution, in the opinion or report of an Independent Accountant delivered to the City and the Original Purchaser is fully sufficient to pay and discharge the indebtedness on such Bonds including all principal and interest; or
- (d) by purchasing such Bonds prior to maturity and tendering such Bonds to the Treasurer for cancellation;

and provided further that (i) no obligations are then due and owing by the City to the Original Purchaser under the Bond Purchase Agreement, as evidenced by a Certificate of the City to such effect filed with the Original Purchaser, and (ii) if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been duly given or provision has been made for the giving of such notice, then, at the election of the City, and notwithstanding that any such Bonds have not been surrendered for payment, all obligations of the City under this Resolution with respect to such Bonds shall cease and terminate, except only:

- (a) the obligation of the Treasurer to transfer and exchange Bonds hereunder, and

- (b) the obligation of the City to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the fiduciary agent, all sums due thereon.

SECTION 8.04. *Execution of Documents and Proof of Ownership by Owners.* Any request, consent, declaration or other instrument which this Resolution may require or permit to be executed by any Owner may be in one or more instruments of similar tenor, and shall be executed by such Owner in person or by their attorneys appointed in writing.

The ownership of Bonds and the amount, maturity, number and date of ownership thereof shall be conclusively proved by the Registration Books.

Any request, declaration or other instrument or writing of the Owner of any Bond binds all future Owners of such Bond in respect of anything done or suffered to be done by the City in good faith and in accordance therewith.

SECTION 8.05. *Waiver of Personal Liability.* No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of or interest on the Bonds; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 8.06. *Waiver of Jury Trial; Agreement for Judicial Reference; No Sovereign Immunity.* To the fullest extent permitted by law, the City hereby waives its right to trial by jury in any action, proceeding and/or hearing on any matter whatsoever arising out of, or in any way connected with, the Bonds, this Resolution or any documents relating to the Bonds or this Resolution, or the enforcement of any remedy under any law, statute, or regulation. To the extent such waiver is not enforceable, the City hereby consents to the adjudication of any and all such matters pursuant to Judicial Reference as provided in Section 638 of the California Code of Civil Procedure, and the judicial referee shall be empowered to hear and determine any and all issues in such Reference whether fact or law. The City hereby represents that it does not possess and will not invoke a claim of sovereign immunity for disputes arising out of contractual claims relating to the Bonds or this Resolution.

SECTION 8.07. *Funds and Accounts.* Any fund or account required by this Resolution to be established and maintained by the City may be established and maintained in the accounting records of the City either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the City shall at all times be maintained in accordance with accepted accounting principles; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

SECTION 8.08. *Notices.* All written notices to be given to the City under this Resolution shall be given by first class mail or personal delivery at its address set forth below, or at such address as the City may designate in writing from time to time.

City of Yuba City
1201 Civic Center Boulevard
Yuba City, California 95993
Attention: Director of Finance
Fax: 530-822-4694

SECTION 8.09. *Governing Law.* This Resolution shall be governed by and construed in accordance with the laws of the State of California.

SECTION 8.10. *Effective Date.* This Resolution shall take effect from and after the date of its passage and adoption.

* * * * *

The foregoing resolution was adopted at a regular meeting of the City Council of the City of Yuba City held on April 9, 2014, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Mayor
City of Yuba City

ATTEST:

City Clerk
City of Yuba City

APPENDIX A

FORM OF BOND

No. R-__

\$

**CITY OF YUBA CITY
2014 WASTEWATER REVENUE REFUNDING BOND**

RATE OF INTEREST:
____%

MATURITY DATE:
June 1, 2024

ORIGINAL ISSUE DATE:
April 22, 2014

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The CITY OF YUBA CITY, a municipal corporation organized and existing under the laws of the State of California (the "City") for value received, hereby promises to pay (but only out of the Net Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner stated above, or registered assigns, on the Maturity Date stated above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount stated above, in lawful money of the United States of America; and to pay interest thereon in like lawful money from the Interest Payment Date next preceding the date of authentication of this Bond (unless this Bond is authenticated as of a day during the period commencing after the fifteenth day of the month preceding an Interest Payment Date and ending on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before May 15, 2014, in which event it shall bear interest from the Issue Date stated above) until payment of such principal sum shall be discharged as provided in the Bond Resolution hereinafter mentioned, at the Interest Rate per annum stated above, payable semiannually on each June 1 and December 1, commencing June 1, 2014 (each, an "Interest Payment Date").

The principal hereof and the interest hereon is payable by check of the City mailed on each Interest Payment Date to the Registered Owner as of the 15th day of the month preceding each Interest Payment Date (except with respect to payment of defaulted interest as provided in the Bond Resolution) at the address shown on the registration books maintained by the Treasurer of the City (the "Treasurer"). Payment of principal and interest will be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the

Treasurer before the 15th day of the month preceding the applicable Interest Payment Date.

Notwithstanding anything herein or in the Bond Resolution to the contrary, so long as this Bond is owned by JPMorgan Chase Bank, N.A., (the "Original Purchaser"), all amounts payable to the Original Purchaser with respect to this Bond shall be made by the City to the Original Purchaser, unless the Original Purchaser otherwise provides written direction to the City (without any presentment thereof, except upon the payment of the final installment of principal, and without any notation of such payment being made thereon), in such manner or at such address in the United States as may be designated by the Original Purchaser in writing to the City (the "Bank Direct Payment Period"). During any Bank Direct Payment Period, (i) any payment made shall be accompanied by sufficient information to identify the source and proper application of such payment, (ii) the Original Purchaser shall notify the City in writing of any failure of the City to make any payment of the principal of or interest on this Bond when due, and (iii) if this Bond is sold or transferred, the Original Purchaser shall notify the City in writing of the name and address of the transferee, the effective date of the transfer, the principal amount of this Bond transferred and the payment information notated on this Bond as hereinafter described, and it will, prior to delivery hereof, make a notation hereon of the date to which interest has been paid thereon and of the amount of any redemption made on account of the principal thereof. Furthermore, to the extent that the City has made the required payments to the Original Purchaser during any Bank Direct Payment Period, the City shall have no obligations to make payments of the principal of or interest on this Bond, to act as registrar or to take any other action in respect thereof, except at the express written direction of the Original Purchaser.

So long as Bonds are owned by the Original Purchaser, (i) the Bonds are not required to be presented and surrendered to the Treasurer of the City for payment at any time prior to the final maturity thereof, and (ii) the City will pay the principal of, including sinking fund payments, and interest on Bonds by wire transfer to the Original Purchaser in accordance with wire transfer instructions provided by the Original Purchaser to the City.

This Bond is one of a duly authorized issue of bonds of the City designated as its "City of Yuba City 2014 Wastewater Revenue Refunding Bonds" (the "Bonds"), in the aggregate principal amount of \$_____, authorized under Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code (the "Bond Law"), and issued under Resolution No. ___ adopted by the City Council of the City on April 9, 2014 (the "Bond Resolution"). The Bonds have been issued for the purpose of refinancing certain obligations of the City incurred to finance improvements to the City's wastewater collection, treatment and disposal system (the "Wastewater System").

Reference is hereby made to the Bond Resolution and to the Bond Law for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Treasurer and of the rights and obligations of the City thereunder. The Registered Owner of this Bond, by acceptance hereof, assents and agrees to all the provisions of the Bond Resolution.

The Bonds and the interest thereon are payable from Net Revenues of the Wastewater System (as such terms are defined in the Bond Resolution) and are secured

by a pledge and assignment of said Net Revenues and by a pledge and assignment of certain amounts held under the Bond Resolution, subject only to the provisions of the Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Resolution. The City has the right under the Bond Resolution to issue additional obligations on a parity with the Bonds, subject to the specific conditions set forth in the Bond Resolution. The Bonds are special obligations of the City and are not a lien or charge upon the funds or property of the City, except to the extent of the aforesaid pledge and assignment.

The Bonds are subject to mandatory sinking fund redemption in part by lot, on June 1 in each of the years as set forth in the following table, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, in the aggregate respective principal amounts and on the respective dates:

Sinking Fund Redemption Date <u>(June 1)</u>	<u>Principal Amount To Be Redeemed</u>
2014	\$
2015	
2016	
2017	
2018	
2019	
2020	
2021	
2022	
2023	
2024 (Maturity)	

As provided in the Bond Resolution, the City is required to mail notice of redemption of any Bonds by first class mail, postage prepaid, not less than 30 nor more than 60 days before the redemption date, to the registered owners of the Bonds to be redeemed, but neither failure to receive such notice nor any defect in the notice so mailed affects the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon. Notwithstanding the foregoing, so long as the Bonds are owned by the Original Purchaser, no notice of mandatory sinking fund redemption shall be given. If this Bond is called for redemption and payment is duly provided therefor as specified in the Bond Resolution, interest hereon will cease to accrue from and after the date fixed for redemption.

Whenever provision is made in the Bond Resolution for the redemption of less than all of the Bonds, the City will select the Bonds to be redeemed by lot in any manner which the City in its sole discretion deems appropriate. For purpose of such selection, all Bonds will be deemed to be comprised of separate \$1,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

If an Event of Default occurs under and as defined in the Bond Resolution, the principal of all Bonds may be declared due and payable upon the conditions, in the

manner and with the effect provided in the Bond Resolution, but such declaration and its consequences may be rescinded and annulled as further provided in the Bond Resolution. Upon the occurrence and during the continuation of an Event of Default, the Bonds shall bear interest at the Default Rate defined above.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the office of the Treasurer in Yuba City, California, or such other place as designated by the Treasurer, but only in the manner, subject to the limitations and upon payment of the charges provided in the Bond Resolution, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This Bond may only be transferred in accordance with the terms and provisions set forth in the Bond Resolution, and upon satisfaction of the conditions precedent to any such transfer as set forth in the Bond Resolution, which are hereby incorporated into this Bond by reference.

The City and the Treasurer may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the City and the Treasurer shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Bond Resolution.

This Bond is not entitled to any benefit under the Bond Resolution and is not valid or obligatory for any purpose until the certificate of authentication hereon endorsed has been signed by the Treasurer of the City.

IN WITNESS WHEREOF, City of Yuba City has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the Mayor of the City and its seal to be reproduced hereon by facsimile and attested to by the facsimile signature of the City Clerk of the City, all as of the Issue Date stated above.

CITY OF YUBA CITY

By _____
Mayor

Attest:

City Clerk

TREASURER'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Bond Resolution.

Dated: _____

By _____
City Treasurer

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby _____ irrevocably constitute(s) _____ and _____ appoint(s) _____ attorney, to transfer the same on the registration books of the Treasurer with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor institution.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

ESCROW DEPOSIT AND TRUST AGREEMENT

This ESCROW DEPOSIT AND TRUST AGREEMENT (this "Agreement"), dated April 22, 2014, is between the CITY OF YUBA CITY, a municipal corporation organized and existing under the laws of the State of California (the "City"), and UNION BANK, N.A., a national banking association organized and existing under the laws of the United States of America, acting as escrow agent for the 2007 Installment Payments described below (the "Escrow Agent").

BACKGROUND:

1. The City has previously entered into an Installment Sale Agreement dated as of May 23, 2007 (the "2007 Installment Sale Agreement"), between the City and LaSalle Bank National Association, under which the City is obligated to pay semiannual installment payments (the "2007 Installment Payments") which are secured by a pledge of and lien on the net revenues of the City's wastewater collection, treatment and disposal system.

2. Under Section 7.2 of the 2007 Installment Sale Agreement, the City has the right to prepay the 2007 Installment Payments in whole or in part on June 1, 2014, and under Section 7.1 of the 2007 Installment Sale Agreement, the City has the right to secure the payment and prepayment of the 2007 Installment Payments with an irrevocable deposit of funds which has the effect of discharging the City's obligations under the 2007 Installment Sale Agreement.

3. In order to provide funds to pay and prepay the 2007 Installment Payments and thereby discharge the City's obligations under the 2007 Installment Sale Agreement, the City Council of the City has authorized the issuance of City of Yuba City 2014 Wastewater Revenue Refunding Bonds in the aggregate principal amount of \$7,321,914.12 (the "2014 Bonds") under Resolution No. ___ adopted by the City Council of the City on April 9, 2014 (the "2014 Bond Resolution").

4. The City wishes to appoint the Escrow Agent for the purpose of establishing an irrevocable escrow fund to be funded, invested, held and administered for the purpose of providing for the payment and prepayment of the 2007 Installment Payments in full.

A G R E E M E N T :

In consideration of the premises and the material covenants contained herein, the City and the Escrow Agent hereby agree as follows:

SECTION 1. *Appointment of Escrow Agent; Establishment of Escrow Fund.* The City hereby appoints the Escrow Agent to act as escrow agent for purposes of administering the funds required to pay and prepay the 2007 Installment Payments in full in accordance with Section 7.2 of the 2007 Installment Sale Agreement, and thereby discharge the City's obligations under the 2007 Installment Sale Agreement in accordance with Section 7.1 of the 2007 Installment Sale Agreement.

The Escrow Agent is hereby directed to establish an escrow fund (the "Escrow Fund") to be held by the Escrow Agent in trust as an irrevocable escrow securing the payment and prepayment of the 2007 Installment Payments in accordance with the 2007 Installment Sale Agreement. If at any time the Escrow Agent receives actual knowledge that the cash and securities in the Escrow Fund will not be sufficient to make any payment required by Section 4 in respect of the 2007 Installment Payments, the Escrow Agent shall notify the City of such fact and the City shall immediately cure such deficiency from any source of legally available funds. The Escrow Agent has no liability for any such insufficiency.

SECTION 2. *Deposit of Amounts in Escrow Fund.* On April 22, 2014 (the "Closing Date"), the City shall cause to be transferred to the Escrow Agent for deposit into the Escrow Fund the amount of \$8,057,449.61 in immediately available funds, to be derived from the following sources in the following amounts:

- (a) from the proceeds of the 2014 Bonds in the amount of \$7,206,914.12; and
- (b) from amounts held by the 2007 Trustee in the Reserve Fund established under Section 3.3 of the 2007 Installment Sale Agreement (the "2007 Reserve Fund"), in the amount of \$850,535.49.

SECTION 3. *Investment of Amounts in Escrow Fund.* The Escrow Agent shall invest the amount of \$8,057,449.00 deposited into the Escrow Fund under Section 2 in United States Treasury Securities, State and Local Government Series, Certificates of Indebtedness, maturing on June 1, 2014, bearing interest at the rate of 0.03% per annum. The Escrow Agent shall hold the remaining \$0.61 in the Escrow Fund in cash, uninvested.

SECTION 4. *Application of Amounts in Escrow Fund.* On the Closing Date, the Escrow Agent shall apply the amounts on deposit in the Escrow Fund to pay and prepay the 2007 Installment Payments in accordance with the following schedule:

<u>Payment Date</u>	<u>Interest Payment</u>	<u>Maturing Principal</u>	<u>Prepaid Principal</u>	<u>Prepayment Premium</u>	<u>Total Payment</u>
June 1, 2014	\$170,728.80	\$509,077.88	\$7,304,596.97	\$73,045.97	\$8,057,449.62

Following the payment and prepayment of the 2007 Installment Payments in full on June 1, 2014, the Escrow Agent shall transfer any amounts remaining on deposit in the Escrow Fund to the City to be applied to pay interest next coming due and payable on the 2014 Bonds in accordance with the 2014 Bond Resolution. Such transfers shall be made in accordance with wire transfer instructions which are filed with the Escrow Agent by the City prior to June 1, 2014.

SECTION 5. *Irrevocable Election to Prepay 2007 Installment Payments.* The City hereby irrevocably elects to prepay all of the 2007 Installment Payments on June 1, 2014, in accordance with the provisions of Section 7.2 of the 2007 Installment Sale Agreement. Notice of redemption of the 2007 Bonds shall be given by the City in accordance with Section 7.2 of the 2007 Installment Sale Agreement, at the expense of the City.

SECTION 6. *Transfer of 2007 Funds.* On the Closing Date the City shall withdraw from the amount of \$850,535.49 held by it in the 2007 Reserve Fund and transfer such amounts to the Escrow Agent for deposit in the Escrow Fund in accordance with Section 2(b). All other amounts held by the City in the funds and accounts established under the 2007 Installment Sale Agreement shall be applied to pay the principal of and interest on the 2014 Bonds when due, including the payment coming due on the 2014 Bonds on June 1, 2014.

SECTION 7. *Compensation to Escrow Agent.* The City shall pay the Escrow Agent full compensation for its services under this Agreement, including out-of-pocket costs such as publication costs, redemption expenses, legal fees and other costs and expenses relating hereto and, in addition, all fees, costs and expenses relating to the purchase, substitution or withdrawal of any securities after the date hereof. Under no circumstances shall amounts deposited in or credited to the Escrow Fund be deemed to be available for said purposes. The Escrow Agent has no lien upon or right of set off against the cash and securities at any time on deposit in the Escrow Fund.

The City shall indemnify, defend and hold harmless the Escrow Agent and its officers, directors, employees, representatives and agents, from and against and reimburse the Escrow Agent for any and all claims, obligations, liabilities, losses, damages, actions, suits, judgments, reasonable costs and expenses (including reasonable attorneys' and agents' fees and expenses) of whatever kind or nature regardless of their merit, demanded, asserted or claimed against the Escrow Agent directly or indirectly relating to, or arising from, claims against the Escrow Agent by reason of its participation in the transactions contemplated hereby, except to the extent caused by the Escrow Agent's gross negligence or willful misconduct. The provisions of this Section 7 shall survive the termination of this Agreement or the earlier resignation or removal of the Escrow Agent.

SECTION 8. *Immunities and Liability of Escrow Agent.* The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent shall not have any liability hereunder except to the extent of its gross negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, indirect or consequential damages. The Escrow Agent shall not be liable for any loss from any investment made by it in accordance with the terms of this Agreement. The Escrow Agent may consult with legal counsel of its own choice and the

Escrow Agent shall not be liable for any action taken or not taken by it in good faith in reliance upon the opinion or advice of such counsel. The Escrow Agent shall not be liable for the recitals or representations contained in this Agreement and shall not be responsible for the validity of this Agreement, the sufficiency of the Escrow Fund or the moneys and securities to pay the principal, interest and redemption premium with respect to the 2007 Installment Payments.

Whenever in the administration of this Agreement the Escrow Agent deems it necessary or desirable that a matter be proved or established prior to taking or not taking any action, such matter may be deemed to be conclusively proved and established by a certificate of an authorized representative of the City and shall be full protection for any action taken or not taken by the Escrow Agent in good faith reliance thereon.

The Escrow Agent may conclusively rely as to the truth and accuracy of the statements and correctness of any opinions or calculations provided to it in connection with this Agreement and shall be protected in acting, or refraining from acting, upon any notice, instruction, request, certificate, document, opinion or other writing furnished to the Escrow Agent in connection with this Agreement and believed by the Escrow Agent to be signed by the proper party, and it need not investigate any fact or matter stated therein.

None of the provisions of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. The Escrow Agent shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Escrow Agent and could not have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Escrow Agent may at any time resign by giving 30 days written notice of resignation to the City. Upon receiving such notice of resignation, the City shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Escrow Agent from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to each of the City, the resigning Escrow Agent and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such notice of resignation, the resigning Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor.

Any bank, corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any bank, corporation or association resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any bank, corporation or association succeeding to all or substantially all of the corporate trust business of the Escrow Agent shall be the

successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

The Escrow Agent agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Agent 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 Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon such instructions, the Escrow Agent's understanding of such instructions shall be deemed controlling. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent'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 Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

SECTION 9. *Termination of Agreement.* Upon payment and prepayment in full of the 2007 Installment Payments and the payment and redemption in full of the 2007 Certificates, and upon payment of all fees, expenses and charges of the Escrow Agent as described above, this Agreement shall terminate and the Escrow Agent shall be discharged from any further obligation or responsibility hereunder.

SECTION 10. *Execution in Counterparts.* This 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 instrument.

SECTION 11. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

CITY OF YUBA CITY

By: _____
City Manager

UNION BANK, N.A., as Escrow Agent

By _____
Authorized Officer

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

April 10, 2014

City of Yuba City, California
1201 Civic Center Boulevard
Yuba City, California 95993

\$7,321,914.12
City of Yuba City
2014 Wastewater Revenue Refunding Bonds

Ladies and Gentlemen:

Subject to the conditions stated herein, JPMorgan Chase Bank, National Association (the “Purchaser”), hereby offers to purchase the City of Yuba City 2014 Wastewater Revenue Refunding Bonds in the aggregate principal amount of \$7,321,914.12 (the “Bonds”) from the City of Yuba City, California (the “City”), and, upon acceptance of this offer by the City, such offer will become a binding agreement between the Purchaser and the City. This offer must be accepted by the City by 10:00 a.m., Pacific Time, April 10, 2014, and if not so accepted will be subject to withdrawal by the Purchaser. Capitalized terms not otherwise defined herein shall have the meanings set forth in Resolution No. ____ adopted by the City Council of the City on April 9, 2014, authorizing the issuance of the Bonds (the “Bond Resolution”).

SECTION 1. PURCHASE PRICE.

The purchase price for the Bonds will be \$7,321,914.12.

SECTION 2. COSTS OF ISSUANCE.

The City will pay the costs and expenses incident to the performance of the City’s obligations hereunder, including, but not limited to (i) the fees and disbursements of the City’s bond counsel and financial advisor, (ii) the fees and expenses of any engineers, accountants or other experts, consultants or advisors retained by the City, (iii) the fees of the California Debt and Investment Advisory Commission; and (iv) any other expenses mutually agreed to by the City and the Purchaser to be reasonably considered expenses for the City. In addition, the City will pay on the date of closing the legal fees of the Purchaser’s counsel in an amount not to exceed \$15,000.

The Purchaser hereby agrees to pay the foregoing costs and expenses on behalf of the City, out of a portion of the purchase price of the Bonds, in the aggregate amount of not to exceed \$115,000.00. Such payments shall be made to the payees, and in the amounts, as set

forth in a written certificate executed by an Authorized Officer of the City and filed with the Purchaser on or before the Closing Date.

SECTION 3. TERMS OF THE BONDS.

The Bonds shall be issued as a single term bond in the principal amount of \$7,321,914.12 and shall bear interest at such rate, mature on such dates and in such amounts, be subject to redemption and have such other terms and conditions as are set forth in the Bond Resolution and in Appendix A which attached hereto and by this reference incorporated herein. A copy of the Bond Resolution has been provided to us. Pursuant to and as more fully described in the Bond Resolution, the Bonds, the 2011 Bonds and any Parity Debt shall be payable from and equally secured by a first pledge of and lien on the Net Revenues (as defined in the Bond Resolution) derived by the City from the operation of its Wastewater System (as defined in the Bond Resolution), to provide for the payment of the interest on and principal of the Bonds, as such interest and principal come due.

The Bonds will be issued under and pursuant to the Bond Resolution and the statutes and laws of the State of California. The Bonds will be limited obligations of the City.

The Bonds will initially be made payable to the order of the Purchaser, but may be assigned by the Purchaser in whole, but not in part, in accordance with the restrictions contained herein, and the Purchaser or any assignee of the Bonds shall be the registered owner thereof. The Bonds will be fully registered as to principal and interest, and the Treasurer of the City (the "Treasurer") shall serve as the initial registrar, transfer agent and authentication agent for the Bonds on the terms set forth in the Bond Resolution.

SECTION 4. CLOSING.

The City shall deliver the Bonds to, or for the account of, the undersigned and the undersigned shall purchase the Bonds by 11:00 a.m. Pacific Time, on April 22, 2014, or at such other time as shall be mutually agreed upon (hereinafter referred to as the "Closing"). The Closing shall take place at the offices of Jones Hall, San Francisco, California, or such other location as may be mutually agreed upon by the Purchaser and the City.

SECTION 5. CONDITIONS TO CLOSING.

Purchaser's agreement to purchase and the City's agreement to sell the Bonds are subject to Purchaser's receipt of or the confirmation of, in either case on or before the Closing, the following:

- (a) Certified copies of (i) the Bond Resolution authorizing the issuance of the Bonds with such changes as may be approved by the Purchaser;
- (b) Physical receipt of the duly executed and authenticated Bonds;
- (c) The Bonds shall not be (i) assigned a separate rating by any rating agency, (ii) registered with The Depository Trust Company or any other securities depository or (iii) issued pursuant to any type of offering document or official statement;

(d) The final approving opinion of Jones Hall, as bond counsel to the City (“Bond Counsel”), in form and substance reasonably satisfactory to the Purchaser;

(e) From the City Attorney and/or Bond Counsel, opinions as to the due authorization, execution, delivery and enforceability of the Bond and the Bond Resolution, and such other customary matters as the Purchaser may reasonably request;

(f) The opinion of Bond Counsel with respect to the defeasance 2007 Installment Payments;

(g) The City’s certification to the effect that no litigation of any nature is then pending against, or to the best knowledge of the certifying official, threatened against the City contesting or attacking the Bonds or the Bond Resolution; restraining or enjoining the authorization, execution, or delivery of the Bonds or the Bond Resolution; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority of proceedings for the authorization, execution or delivery of the Bonds or the Bond Resolution; affecting the tax status of the Bonds; affecting the corporate existence of the City, or the titles of the then present members of the Board; or affecting the authority of the City to collect Net Revenues or impose rates and charges for the use of the Wastewater System;

(h) The City’s certification, which may be combined with any other certification being provided by the City, signed by the certifying official to the effect that (i) the official actions of the City authorizing the execution, delivery and/or performance of Bond Resolution, this Purchase Contract and the Bonds have been duly adopted by the City, are in full force and effect and have not been modified, amended or repealed, (ii) there has not been any material adverse change in the financial condition of the City since June 30, 2013, the latest date as of which audited financial information is available, (iii) the City shall perform or have performed all of its obligations required under or specified in the Bond Law and the Bond Resolution to be performed at or prior to such Closing, (iv) no event has occurred and is continuing, or would result from entry into this Purchase Contract, which would constitute a Default or Event of Default, and (v) that the representations and warranties contained in Section 8 hereof are true and correct in all material respects on the date hereof;

(i) A certificate dated the date hereof and executed by a City Representative certifying the names and signatures of the persons authorized to sign, on behalf of the City, this Purchase Contract and the other documents to be delivered by it hereunder or thereunder;

(j) No Event of Default or event which, with the lapse of time or the giving of notice or both would constitute such an Event of Default, shall have occurred and be continuing;

(k) Each of the representations and warranties of the City contained in this Purchase Contract is true and correct on and as of such date as though made on and as of such date;

(l) The Purchaser shall not have elected to cancel its obligation hereunder to purchase the Bonds, which election may be made by written notice by the Purchaser to the City only if between the date hereof and the date of the Closing (i) a stop order, ruling or regulation by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance or sale of the Bonds, as contemplated by this Purchase Contract, or any document relating to the issuance or sale of the Bonds, is in violation or would be in violation of any provision of the Securities Act of 1933, as amended, or the registration provisions of the Securities Exchange Act of 1934, as amended, or of the Trust Indenture Act of 1939, as amended, (ii) legislation shall be enacted by the Congress of the United States of America, or a final decision by a court of the United States of America shall be rendered, that has the effect of requiring the Bonds to be registered under the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or requiring the Bond Resolution to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect, (iii) a general banking moratorium shall have been declared by federal or State authorities and be in force or (iv) no development or change, and no information becoming known, that, in the Purchaser's judgment, (A) results in or could reasonably be expected to result in a material change in, or material deviation from, the information provided to the Purchaser by the City, including, without limitation, a material change in the terms of the transactions contemplated hereby or in the legal, tax, accounting or financial aspects of such transactions, or (B) has had or could be reasonably expected to have a material adverse effect on the business, assets, financial condition, performance or prospects of the City (in which case (as to each of subclauses (A) and (B)) the Purchaser may, in its sole and absolute discretion, suggest alternative financing amounts or structures that ensure adequate protection for itself or terminate its commitment and undertaking under this Purchase Contract);

(m) On the date of Closing, the Purchaser shall have received all fees and expenses as set forth in Section 2 hereof;

(n) A tax certificate and agreement prepared by Bond Counsel and executed by the appropriate parties; and

(o) On the date of Closing, the Purchaser shall have received such additional certificates, opinions and other documents (including, without limitation, organizational documents and good standing certificates), as the Purchaser, Bond Counsel or the City may reasonably request to evidence performance of or compliance with the provisions of this Purchase Contract and the transactions contemplated hereby, all such certificates, opinions and other documents to be in form and substance satisfactory to the Purchaser.

SECTION 6. NATURE OF PURCHASE.

The Purchaser is purchasing the Bonds for its own account and not with a present intent to distribute or assign; *provided, however*, that the Purchaser retains the right to distribute or assign the Bonds in the future in accordance with the terms hereof. In connection with its purchase of the Bonds, the Purchaser is not acting in a fiduciary capacity to the City or in the

capacity of broker, dealer, municipal securities underwriter, financial advisor, or municipal advisor. The Purchaser has not provided, and will not provide, financial, legal, tax, accounting or other advice to or on behalf of the City with respect to the Bonds. The City represents that it has sought and obtained financial, legal, tax, accounting and other advice (including as it relates to structure, timing, terms, and similar matters) with respect to the bond from its financial, legal and other advisors (and not the Purchaser) to the extent that the City desired to obtain such advice.

Purchaser further recognizes that the purchase of the Bonds involves risks and has made such inspection and investigation of the City's affairs as it deemed necessary to determine the investment quality of the Bonds.

SECTION 7. REPRESENTATIONS OF PURCHASER.

Purchaser represents and warrants that:

(a) Purchaser is an "accredited investor" within the meaning of section 2(15) of the Securities Act of 1933 (the "1933 Act") and/or a "qualified institutional buyer" as defined in Rule 144A under the 1933 Act, as amended.

(b) Purchaser is acquiring the Bonds for its own account as evidence of a loan or for the account of a permitted transferee, and not with a present view to, or for present sale in connection with, any distribution of the Bonds or any part thereof; *provided, however*, that the Purchaser retains the right to distribute or assign the Bonds in the future in accordance with the terms hereof.

(c) Purchaser has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations of a nature similar to the Bonds to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds.

(d) As a sophisticated investor, the Purchaser has made its own credit inquiry and analysis with respect to the City, and the Bonds, and has made an independent credit decision based upon such inquiry and analysis. The City has furnished to the Purchaser all the information that the Purchaser as a reasonable investor has requested of the City as a result of the Purchaser having attached significance thereto in making its investment decision with respect to the Bonds, and the Purchaser has had the opportunity to ask questions of and receive answers from knowledgeable individuals concerning the City and the Bonds. The Purchaser is able and willing to bear the economic risk of the purchase and ownership of the Bonds.

(e) Purchaser understands that the Bonds have not been registered with any federal or state securities agency or commission.

(f) Purchaser acknowledges that the Bonds are transferrable only by notation on the bond register maintained by the Treasurer and freely transferrable provided that:

(i) the transferring holder thereof shall first have complied with all applicable state and federal securities laws and regulations;

(ii) the transferring holder thereof can transfer the Bonds only to a transferee who executes and delivers to the City a letter of the transferee containing substantially the representations set forth in this Section 7; and

(iii) the transferring holder thereof will not prepare or furnish, or cause to be prepared or furnished, any disclosure regarding the City's finances without the prior review and written consent of the City, in the City's sole discretion.

SECTION 8. REPRESENTATIONS OF THE CITY.

The City represents and warrants that:

(a) The City is validly existing under its charter and the laws of the State of California and possesses the legal capacity, qualifications, right, power and authority to enter into, execute, deliver and carry out its obligations in connection with this Purchase Contract, the Bond Resolution and the Bonds;

(b) By all necessary official action of the City prior to or concurrently with the Closing, the City has or will have duly authorized all necessary action to be taken by it for (i) the execution and delivery of this Purchase Contract and the adoption of the Bond Resolution and the issuance and sale of the Bonds, (ii) the approval, execution and delivery of and the performance by the City of the obligations on its part contained in this Purchase Contract, the Bonds and the Bond Resolution and (iii) the consummation by it of all other transactions described in the Purchase Contract, the Bonds and the Bond Resolution and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the City in order to carry out, give effect to, and consummate the transactions described herein;

(c) The Purchase Contract, the Bonds and the Bond Resolution, when duly executed and delivered, will constitute legal, valid and binding obligations of the City, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, sovereign immunity of political subdivisions and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the Bonds, when issued, delivered and paid for, in accordance with the Purchase Contract and the Bond Resolution, will constitute legal, valid and binding obligation of the City entitled to the benefits of the Bond Resolution and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; upon the issuance, authentication and delivery of the Bonds as aforesaid, the Bond Resolution will provide, for the benefit of the holders, from time to time, of the Bonds, the legally valid and binding pledge of Net Revenues and lien it purports to create as set forth in the Bond Resolution;

(d) The City is not in breach of or default under any applicable constitutional provision, law or administrative regulation of the State of California or the United States

relating to the issuance of the Bonds or any applicable judgment or decree or any loan agreement, Bond Resolution, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City is or any of its property or assets are otherwise subject, and no event which would have a material and adverse effect upon the financial condition of the City has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the City under any of the foregoing; and the execution and delivery of the Bonds and this Purchase Contract, and the adoption of the Bond Resolution and compliance with the provisions on the City's part contained therein, will not conflict with or constitute a breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, Bond Resolution, bond, note, resolution, agreement or other instrument to which the City is a party or to which the City is or to which any of its property or assets are otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City, if any, to be pledged to secure the Bonds or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Bond Resolution; and

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission of the State of California having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of its obligations under the Purchase Contract and Bond Resolution, have been duly obtained.

(f) As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against the City or to the best knowledge of the City threatened, wherein an unfavorable decision, ruling or finding would (i) in any way questioning the titles of the officers of the City to their respective offices; (ii) seeking to restrain or enjoin the adoption of the Bond Resolution or the execution and delivery of or in any way contesting or affecting the validity of the Bond Resolution, this Purchase Contract or the Bonds; (iii) which could have a material adverse impact upon the ability of the City to perform its obligations under such documents, and (iv) restraining or enjoining the issuance or delivery of the Bonds, or questioning the proceedings taken for the issuance of the Bonds, or restraining the power and the authority of the City to collect Net Revenues pledged to the payment of the Bonds, or affecting the validity of the Bonds, or affecting or contesting in any material way the City's ability to impose rates and charges for the use of the Wastewater System.

(g) The consolidated financial statements as of and for the year ended June 30, 2013, of the City, including its balance sheet as of such dates, as heretofore delivered to the Purchaser, fairly present the financial position of the Wastewater System as of such date and the results of the operations of the Wastewater System for such period, and have been prepared in accordance with generally accepted accounting principles consistently applied except as stated in the notes thereto.

(h) The City hereby makes to the Purchaser the same representations and warranties made by the City in the Bond Resolution, which representations and warranties, as well as the related defined terms contained therein, are hereby incorporated by reference for the benefit of the Purchaser with the same effect as if each and every such representation and warranty and defined term were set forth herein in its entirety.

(i) The interest rate payable on the Bonds is not subject to any limitation under the statutes or constitution of the State of California.

(j) The City is a “local public entity” as defined in Section 900.4 of the Government Code of the State of California and, as such, is subject to certain claims and to certain suits for money damages pursuant to and in accordance with the laws of the State of California applicable to municipal corporations, including Part 3 of Division 3.6 of Title 1 of the Government Code of the State of California; *provided* that the provisions of Part 3 of Division 3.6 of Title 1 of the Government Code of the State of California are inapplicable to the City’s contractual obligations in respect of this Purchase Contract, the Bonds or the Bond Resolution.

Except for claims which lie or could lie in tort, the City does not enjoy any defense on grounds of immunity (sovereign or otherwise (and, including, without limitation, immunity from service of process and/or immunity from jurisdiction of any court or tribunal in respect of itself)) with respect to its contractual obligations under this Purchase Contract, the Bonds or the Bond Resolution, and, in the event that, notwithstanding the foregoing, the City obtains the right to a defense on the grounds of immunity (sovereign or otherwise) with respect to its contractual obligations under this Purchase Contract, the Bonds or the Bond Resolution, the City, to the maximum extent permitted by applicable law, hereby waives, and agrees that it will not assert as a defense, any right to immunity (sovereign or otherwise) it may have as a public entity under the laws of the State of California with respect to its contractual obligations under this Purchase Contract, the Bonds or the Bond Resolution.

(k) All information, reports and other papers and data with respect to the City and the Wastewater System furnished to the Purchaser were, at the time the same were so furnished, correct in all material respects. Any financial, budget and other projections furnished to the Purchaser were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this representation, represent, the City’s best estimate of the future financial performance of the Wastewater System. No fact is known to the City that materially and adversely affects the ability of the City to repay when due the obligations of the City under this Purchase Contract, the Bonds and the Bond Resolution that has not been previously disclosed in writing to the Purchaser. None of the written information concerning the City or the Wastewater System furnished to the Purchaser by or on behalf of the City (including the financial statements referred to in Section 8(g)) when taken in the aggregate contains any untrue statement of material facts or omits any statement of a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(l) Neither the City nor any of its affiliates is in violation of any laws relating to terrorism or money laundering (“Anti Terrorism Laws”), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the “Executive Order”), and the Patriot Act;

(i) Neither the City nor any of its affiliates is any of the following:

a. a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

b. a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

c. a Person with which the Purchaser is prohibited from dealing or otherwise engaging in any transaction by any Anti Terrorism Law;

d. a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order; or

e. a Person that is named as a “specially designated national and blocked person” on the most current list published by the Office of Foreign Asset Control (“OFAC”) or any list of Persons issued by OFAC pursuant to the Executive Order at its official website or any replacement website or other replacement official publication of such list;

(ii) Neither the City nor any of its affiliates (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in subsection (i)(b) above, (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti Terrorism Law.

(m) The Bond Resolution creates, for the benefit of the owners of the Bonds, and the other obligations hereunder, the legally valid, binding and irrevocable lien on and pledge of the Net Revenues; *provided, however*, the payment of Net Revenues to pay principal and interest on the Bonds and the pledge and lien on Net Revenues shall be on a parity with the pledge and lien of any Parity Debt permitted by the Bond Resolution so long as Parity Debt shall remain Outstanding. The payment of the Bonds and the other obligations hereunder ranks on a parity with the payment of the principal and purchase price of and interest on all Parity Debt and is not subordinate to any payment secured by a lien on the Net Revenues or any other claim, and is prior as against all other Persons having claims of any kind in tort, contract or otherwise, whether or not such Persons have notice of such lien. No filing, registration, recording or publication of the Bond Resolution or any other instrument is required to establish the pledge provided for

thereunder or to perfect, protect or maintain the lien created thereby on the Net Revenues to secure the Bonds and the other obligations hereunder. No holder of the Bonds shall have the right to compel the exercise of the taxing power of the City to pay the Bonds or interest thereon.

SECTION 9. COVENANTS OF THE CITY.

The City hereby covenants that:

(a) The City will permit representatives of the Purchaser, from time to time as often as may be reasonably requested, to inspect the books and records of the City and make copies and extracts of such books and records that relate to the City's performance under this Purchase Contract, the Bond Resolution and discuss the affairs, finances and accounts of the City with, and to be advised as to the same by, its officials, all in connection with the performance by the City of its obligations hereunder and under the Bond Resolution.

(b) The City will notify the Purchaser in writing, promptly after the same shall have become known to the City Representative, of any action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency that, if adversely determined, could reasonably be expected to affect the validity or enforceability of this Purchase Contract or the Bond Resolution or impair the ability of the City to perform its obligations under this Purchase Contract, the Bond Resolution or the Bonds.

(c) The City, upon obtaining notice or knowledge thereof, shall give prompt notice, but in any event within five (5) Business Days, in writing to the Owners of the occurrence of any Default or Event of Default and of any change in the financial position of the City, which could reasonably be expected to materially adversely affect the ability of the City to perform its obligations hereunder, under the Bonds or under the Bond Resolution.

(d) The City will submit the Bond Resolution to the Municipal Securities Rulemaking Board for posting on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") website following closing, with pricing and other terms as directed by the Purchaser redacted therefrom.

(e) The City will, at any and all times, insofar as it may be authorized so to do by applicable law, pass, make, do, execute, acknowledge and deliver every and all such further resolutions, acts, deeds, conveyances, files of record, assignments, recordings, filings, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, Net Revenues and other funds pledged or assigned to the payment of the Bonds (including the interest thereon) and payment of its obligations under this Purchase Contract.

(f) The City will perform and comply with each and every obligation, covenant and agreement required to be performed or observed by it in or pursuant to the Bond Resolution and any other resolution or agreement related to the Bonds, which

provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety and all of which shall be deemed to be made for the benefit of the Purchaser and shall be enforceable by the Purchaser against the City. No termination of or amendment to such covenants and agreements or defined terms or release of the City with respect thereto made pursuant to the Bond Resolution (or other applicable resolution or agreement) shall be effective to terminate or amend such covenants and agreements and defined terms or release of the City with respect thereto as incorporated by reference herein without the prior written consent of the Purchaser. Notwithstanding any termination or expiration of the Bond Resolution (or other applicable resolution or agreement), the City shall continue to observe the covenants therein contained for the benefit of the Purchaser until the termination of this Purchase Agreement. All such incorporated covenants shall be in addition to the express covenants contained herein and shall not limit or be limited by the express covenants contained herein. The City shall not enter into any amendment, modification or supplement to the Bond Resolution without the prior written consent of the Purchaser.

(g) To the fullest extent not prohibited by law, the City agrees not to assert the defense of sovereign immunity in any proceeding related to or arising out of its obligations under this Purchase Contract, the Bonds or the Bond Resolution.

(h) The City shall furnish to the Purchaser in form and detail satisfactory to the Purchaser as soon as available, and in any event within 210 days after the end of the fiscal year of the City, the City's Comprehensive Annual Financial Report.

(i) The City shall furnish the Purchaser a true and correct transcript of proceedings and documents related to the transactions contemplated hereby and by the Bond Resolution, certified by such officers of the City as may be appropriate, and shall furnish the Purchaser with executed original versions of such proceedings and documents.

SECTION 10. NO ORAL AGREEMENTS.

To the extent allowed by law, the parties hereto agree to be bound by the terms of the following notice:

NOTICE: THIS PURCHASE CONTRACT AND THE BONDS TOGETHER REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES REGARDING THIS TRANSACTION AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES RELATING TO THIS TRANSACTION.

SECTION 11. SURVIVAL.

For so long as any portion of the Bonds remains outstanding, the covenants and agreements of the City under this Purchase Contract as well as the restriction on the Purchaser's right to transfer the Bonds, shall remain in full force and effect.

SECTION 12. GOVERNING LAW.

This Purchase Contract shall be governed by and construed in accordance with the laws of the State of California.

SECTION 13. TAX WITHHOLDINGS.

(a) *Payments Free of Taxes; Obligation to Withhold; Payments on Account of Taxes.* (i) Any and all payments by or on account of any obligation of the City hereunder or under the Bond Resolution or the Bonds shall be made without deduction or withholding for any taxes, except as required by applicable laws. If any applicable laws (as determined in the good faith discretion of the Purchaser, or if the City is the party under applicable law required to withhold payment, then as determined in good faith discretion of the City) require the deduction or withholding of any tax from any such payment by the City, then the City shall be entitled to make such deduction or withholding, and if delivered, upon the basis of the information and documentation to be delivered pursuant to subsection (e) below.

(ii) If the City shall be required by the Code to withhold or deduct any taxes, including both United States federal backup withholding and withholding taxes, from any payment, then (A) the City shall withhold or make such deductions as are determined by it to be required, which, if delivered, will be based upon the information and documentation it has received pursuant to subsection (e) below, (B) the City shall timely pay the full amount withheld or deducted to the relevant governmental authority in accordance with applicable law, including the Code, and (C) the sum payable by the City with regard to the Bonds shall be increased as necessary so that after any required withholding or the making of all required deductions (including deductions applicable to additional sums payable under this Section 13) each Bondholder receives an amount equal to the sum it would have received had no such withholding or deduction been made.

(b) *Payment of Other Taxes by the City.* Without limiting the provisions of subsection (a) above, the City shall timely pay to the relevant governmental authority in accordance with applicable law, or at the option of a Bondholder to timely reimburse it for the payment of, any other Covered Taxes.

(c) *Tax Indemnifications.* The City shall, and does hereby, indemnify each Bondholder, and shall make payment in respect thereof within ten (10) days after demand therefor, for the full amount of any Covered Taxes relating to the Bonds and the transactions contemplated hereby payable or paid by such Bondholder or required to be withheld or deducted from a payment to such Bondholder, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such taxes were correctly or legally imposed or asserted by the relevant governmental authority. A certificate as to the amount of such payment or liability delivered to the City by such Bondholder shall be conclusive absent manifest error.

(d) *Evidence of Payments.* Upon request by the City or a Bondholder, as the case may be, after any payment of taxes by the City or by such Bondholder to a governmental authority as provided in this Section 13, the City shall deliver to such Bondholder or such Bondholder shall deliver to City, as the case may be, the original or a certified copy of a receipt issued by such governmental authority evidencing such payment, a copy of any return required by laws to report such payment or other evidence of such payment reasonably satisfactory to the City or such Bondholder, as the case may be.

(e) *Status of Bondholders; Tax Documentation.* (i) Any Bondholder that is entitled to an exemption from or reduction of withholding tax with respect to payments made under the Bond Resolution, shall deliver to the City, at the time or times reasonably requested by the City, such properly completed and executed documentation reasonably requested by the City as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, each Bondholder, if reasonably requested by the City, shall deliver such other documentation prescribed by applicable law or reasonably requested by the City as will enable the City to determine whether or not such Bondholder is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 13(e)(ii) below) shall not be required if in such Bondholder's reasonable judgment such completion, execution or submission would subject such Bondholder to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Bondholder.

(ii) Without limiting the generality of the foregoing, each Bondholder shall deliver to the City (and from time to time thereafter upon the reasonable request of the City), executed originals of IRS Form W-9 or such other form as may be required under applicable law certifying that such Bondholder is exempt from U.S. federal backup withholding tax.

(f) *Treatment of Certain Refunds.* If a Bondholder determines, in its sole discretion exercised in good faith, that it has received a refund of any taxes as to which it has been indemnified by the City or with respect to which the City has paid additional amounts pursuant to this Section 13, it shall pay to the City an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the City under this Section 13 with respect to the taxes giving rise to such refund), net of all out of pocket expenses (including taxes) incurred by such Bondholder, as the case may be, and without interest (other than any interest paid by the relevant governmental authority with respect to such refund); provided that the City, upon the request of such Bondholder, agrees to repay the amount paid over to the City (plus any penalties, interest or other charges imposed by the relevant governmental authority) to such Bondholder in the event such Bondholder is required to repay such refund to such governmental authority. Notwithstanding anything to the contrary in this subsection, in no event will a Bondholder be required to pay any amount to the City pursuant to this subsection the payment of which would place such Bondholder in a less favorable net after tax position than such Bondholder would have been in if the indemnification payments or additional

amounts giving rise to such refund had never been paid. This subsection shall not be construed to require a Bondholder to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the City or any other Person.

(g) Each party's obligations under this Section 13 shall survive the repayment, satisfaction or discharge of the Bonds.

SECTION 14. INDEMNIFICATION.

To the extent not prohibited by law, the City shall indemnify the Purchaser and each Bondholder and each Related Party of the Purchaser or such Bondholder (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the reasonable fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all reasonable fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any Person (including the City) other than such Indemnitee and its Related Parties arising out of, in connection with, or as a result of (i) the execution or delivery of this Purchase Contract, the Bonds, the Bond Resolution or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder, the consummation of the transactions contemplated hereby or thereby, or, in the case of the Purchaser (and any sub-agent thereof) and its Related Parties only, the administration of this Purchase Contract, the Bonds and the Bond Resolution (including in respect of any matters addressed in Section 13), (ii) the purchase of the Bonds or the use or proposed use of the proceeds therefrom, or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the City, and regardless of whether any Indemnitee is a party thereto; *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee, if the City or other party has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

SECTION 15. EVENTS OF DEFAULT.

If an Event of Default shall have occurred under this Purchase Contract, the Bond Resolution, the City shall pay within ten (10) days after demand by any Holder all reasonable and customary costs and expenses of such Holder in connection with the enforcement (whether by means of legal proceedings or otherwise) of any of its rights and remedies under this Purchase Contract, the Bond Resolution, and such other documents which may be delivered in connection therewith.

SECTION 16. WAIVER OF JURY TRIAL.

To the extent allowed by law, the City and the Purchaser each hereby irrevocably waive any and all right to trial by jury in any legal proceeding arising out of or relating to the Bonds or this Purchase Contract. IF AND TO THE EXTENT THAT THE FOREGOING WAIVER OF THE RIGHT TO A JURY TRIAL IS UNENFORCEABLE FOR ANY REASON IN SUCH FORUM, EACH OF THE PARTIES HERETO HEREBY CONSENTS TO THE ADJUDICATION OF ALL CLAIMS PURSUANT TO JUDICIAL REFERENCE AS PROVIDED IN CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638, AND THE JUDICIAL REFEREE SHALL BE EMPOWERED TO HEAR AND DETERMINE ALL ISSUES IN SUCH REFERENCE, WHETHER FACT OR LAW. EACH OF THE PARTIES HERETO REPRESENTS THAT EACH HAS REVIEWED THIS WAIVER AND CONSENT AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS AND CONSENTS TO JUDICIAL REFERENCE FOLLOWING CONSULTATION WITH LEGAL COUNSEL ON SUCH MATTERS. IN THE EVENT OF LITIGATION, A COPY OF THIS PURCHASE CONTRACT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT OR TO JUDICIAL REFERENCE UNDER CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638 AS PROVIDED HEREIN.

SECTION 17. VENUE.

To the extent permitted by law, each party hereto hereby submits to the nonexclusive jurisdiction of the courts of the State of California and the United State City Courts in the State of California sitting in San Francisco County, California, in any action or proceeding arising out of or relating to the Bonds, the Bond Resolution or this Purchase Contract.

SECTION 18. FUNDING INDEMNITY.

In the event the Purchaser shall incur any loss, cost, or expense (including, without limitation, any loss, cost, or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired or contracted to be acquired by the Purchaser to purchase or hold the Bonds or the relending or reinvesting of such deposits or other funds or amounts paid or prepaid to the Purchaser) as a result of any redemption or conversion or repayment or prepayment of the Bonds on a date (other than the final maturity date or a mandatory sinking fund redemption date) for any reason, whether before or after default, and whether or not such payment is required by any provision of this Purchase Contract or the Bond Resolution, then upon the demand of the Purchaser, the City shall pay to the Purchaser a premium in such amount as will reimburse the Purchaser for such loss, cost, or expense. If the Purchaser requests such premium it shall provide to the City a certificate setting forth the computation of the loss, cost, or expense giving rise to the request for such premium in reasonable detail and such certificate shall be conclusive if reasonably determined.

SECTION 19. NOTICES.

Any notice or other communication to be given to the Purchaser under this Purchase Contract may be given by delivering the same in writing to both JPMorgan Chase Bank, National Association, 1300 21st Street, Sacramento, California 95811, Attention: Marty Sharp. Any notice or other communication to be given to the City under this Purchase Agreement may be given by delivering the same in writing to City of Yuba City, 1201 Civic Center Boulevard, Yuba City, CA 95993, Attention: Director of Finance.

SECTION 20. AMENDMENTS.

This Purchase Contract may not be amended except by a written agreement or other instrument executed and delivered by duly authorized representatives of the City and the Purchaser.

SECTION 21. EXECUTION IN COUNTERPARTS.

This Purchase Contract may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 22. EFFECT OF EXECUTION AND DELIVERY.

This Purchase Contract shall become effective upon its execution and delivery by the Purchaser and its acceptance by the City.

SECTION 23. DEFINITIONS.

When used in this Purchase Contract the capitalized terms defined in this Section shall have the following meanings.

“*Bondholder*” shall mean “Owner” (as defined in the Bond Resolution), which means when used with respect to the Bonds, the person or entity in whose name such bond or note is registered in the bond register pursuant to Section 2.06 of the Bond Resolution. Any reference to a particular percentage or proportion of the Owners shall mean the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of the Bonds then Outstanding under the Bond Resolution.

“*City Representative*” means any person authorized from time to time in writing by the City, or its successors and assigns, to perform a designated act or execute a designated document.

“*Covered Taxes*” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the City under the Bond Resolution or the Bonds or this Purchase Contract (collectively, the “Related Documents”), and (b) to the extent not otherwise described in (a), Other Taxes.

“*Default*” means any event or condition which, with notice, the passage of time or any combination of the foregoing, would constitute an Event of Default.

“*Excluded Taxes*” means any of the following Taxes imposed on or with respect to any Holder or required to be withheld or deducted from a payment to such Holder, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Holder being organized under the laws of, or having its principal office located in the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Holder with respect to its interest in the Bonds pursuant to a law in effect on the date on which such Holder acquires such interest in the Bonds, except to the extent that, pursuant to Section 13(a)(ii) or Section 13(c) hereof, amounts with respect to such Taxes were payable to such Holder’s assignor immediately before such Holder acquired its interest in the Bonds, (c) Taxes attributable to such Holder’s failure to comply with Section 13(e), and (d) any U.S. federal withholding Taxes imposed under FATCA.

“*FATCA*” means Sections 1471 through 1474 of the Code, as of the date of this Purchase Contract (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, and any agreements entered into pursuant to Section 1471 (b)(I) of the Code.

“*Other Connection Taxes*” means, with respect to any Holder, Taxes imposed as a result of a present or former connection between such Holder and the jurisdiction imposing such Tax (other than connections arising from such Holder having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced any Related Document, or sold or assigned an interest in the Bonds or any Related Document).

“*Other Taxes*” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Related Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment.

“*Person*” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

“*Related Parties*” means, with respect to any Person, such Person’s affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person’s affiliates.

“*Taxes*” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any governmental authority, including any interest, additions to tax or penalties applicable thereto.

[EXECUTION PAGE FOLLOWS]

Respectfully submitted,

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

The above and foregoing offer is hereby accepted by the City of Yuba City, California, as of the date above first written.

CITY OF YUBA CITY

By: _____
City Manager

Attest:

City Clerk

APPENDIX A

Bond Provisions

Interest: The Bonds shall bear at the rate of 2.45% per annum.

Principal Amortization: The Bonds shall be subject to mandatory sinking fund redemption on June 1 in each of the years, and in the principal amounts, as follows:

Sinking Fund Redemption Date (<u>June 1</u>)	Principal Amount <u>To Be Redeemed</u>
2014	\$660,373.10
2015	595,966.47
2016	610,567.65
2017	625,526.56
2018	640,851.97
2019	656,552.84
2020	672,638.39
2021	689,118.01
2022	706,001.42
2023	723,298.46
2024 (Maturity)	741,019.25

SOURCES AND USES OF FUNDS

City of Yuba City
2014 Wastewater Revenue Refunding Bonds
(Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

Dated Date 4/22/2014
Delivery Date 4/22/2014

Sources:

<hr/>	
Bond Proceeds:	
Par Amount	7,321,914.12
Other Sources of Funds:	
2007 Reserve Fund	850,535.49
<hr/>	
Total Sources	8,172,449.61
<hr/>	

Uses:

<hr/>	
Refunding Escrow Deposits:	
SLGS Purchase	8,057,449.00
Cash	0.61
	<hr/>
	8,057,449.61
Delivery Date Expenses:	
Cost of Issuance	115,000.00
Other Uses of Funds:	
Additional Proceeds	-
<hr/>	
Total Uses	8,172,449.61
<hr/>	

SUMMARY OF REFUNDING RESULTS

City of Yuba City
2014 Wastewater Revenue Refunding Bonds
(Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

Dated Date	4/22/2014
Delivery Date	4/22/2014
Arbitrage yield	2.450261%
Escrow yield	
Bond Par Amount	7,321,914.12
True Interest Cost	2.450261%
Net Interest Cost	2.450000%
Average Coupon	2.450000%
Average Life	5.294
Par amount of refunded bonds	7,813,674.85
Average coupon of refunded bonds	4.370000%
Average life of refunded bonds	6.116
PV of prior debt to 4/22/2014 @ 2.450261%	8,775,882.58
Net PV Savings	805,030.73
Percentage savings of refunded bonds	10.302844%
Percentage savings of refunding bonds	10.994813%

SUMMARY OF BONDS REFUNDED

City of Yuba City
 2014 Wastewater Revenue Refunding Bonds
 (Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
2007 Installment Sale Agreement, 2007:					
SERIAL	6/1/2014	4.370%	509,077.88		-
SERIAL	6/1/2015	4.370%	531,324.59	6/1/2014	101.000
SERIAL	6/1/2016	4.370%	554,543.47	6/1/2014	101.000
SERIAL	6/1/2017	4.370%	578,777.02	6/1/2014	101.000
SERIAL	6/1/2018	4.370%	604,069.58	6/1/2014	101.000
SERIAL	6/1/2019	4.370%	630,467.42	6/1/2014	101.000
SERIAL	6/1/2020	4.370%	658,018.85	6/1/2014	101.000
SERIAL	6/1/2021	4.370%	686,774.27	6/1/2014	101.000
SERIAL	6/1/2022	4.370%	716,786.30	6/1/2014	101.000
SERIAL	6/1/2023	4.370%	748,109.87	6/1/2014	101.000
SERIAL	6/1/2024	4.370%	780,802.27	6/1/2014	101.000
SERIAL	6/1/2025	4.370%	814,923.33	6/1/2014	101.000
			7,813,674.85		

SAVINGS

City of Yuba City
 2014 Wastewater Revenue Refunding Bonds
 (Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings	Present Value to 4/22/2014 @ 2.450261%
6/1/2014	679,806.68		679,806.68	679,806.68	-	
6/1/2015	850,535.47		850,535.47	759,174.23	91,361.24	89,858.37
6/1/2016	850,535.47		850,535.47	759,174.23	91,361.24	87,646.27
6/1/2017	850,535.48		850,535.48	759,174.22	91,361.26	85,484.88
6/1/2018	850,535.48		850,535.48	759,174.23	91,361.25	83,372.90
6/1/2019	850,535.48		850,535.48	759,174.24	91,361.24	81,309.12
6/1/2020	850,535.49		850,535.49	759,174.25	91,361.24	79,292.33
6/1/2021	850,535.47		850,535.47	759,174.21	91,361.26	77,321.36
6/1/2022	850,535.48		850,535.48	759,174.24	91,361.24	75,395.01
6/1/2023	850,535.49		850,535.49	759,174.24	91,361.25	73,512.22
6/1/2024	850,535.47		850,535.47	759,174.23	91,361.24	71,671.84
6/1/2025	850,535.47	850,535.49	(0.02)	-	(0.02)	166.43
	10,035,696.93	850,535.49	9,185,161.44	8,271,549.00	913,612.44	805,030.73

Savings Summary

PV of savings from cash flow	805,030.73
Net PV Savings	805,030.73

BOND SUMMARY STATISTICS

City of Yuba City
 2014 Wastewater Revenue Refunding Bonds
 (Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

Dated Date 4/22/2014
 Delivery Date 4/22/2014
 Last Maturity 6/1/2024

Arbitrage Yield 2.450261%
 True Interest Cost (TIC) 2.450261%
 Net Interest Cost (NIC) 2.450000%
 All-In TIC 2.779529%
 Average Coupon 2.450000%

Average Life (years) 5.294
 Duration of Issue (years) 4.887

Par Amount 7,321,914.12
 Bond Proceeds 7,321,914.12
 Total Interest 949,634.88
 Net Interest 949,634.88
 Total Debt Service 8,271,549.00
 Maximum Annual Debt Service 759,174.25
 Average Annual Debt Service 818,290.09

Underwriter's Fees (per \$1000) -
 Average Takedown -
 Other Fee -
 Total Underwriter's Discount -

Bid Price 100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life
Term Bond	7,321,914.12	100.000	2.450%	5.294
	7,321,914.12			5.294

BOND SUMMARY STATISTICS

City of Yuba City
 2014 Wastewater Revenue Refunding Bonds
 (Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

	TIC	All-In TIC	Arbitrage Yield
Par Value	7,321,914.12	7,321,914.12	7,321,914.12
+ Accrued Interest	-	-	-
+ Premium (Discount)	-	-	-
- Underwriter's Discount	-	-	-
- Cost of Issuance Expense		(115,000.00)	
- Other Amounts		-	
Target Value	7,321,914.12	7,206,914.12	7,321,914.12
Target Date	4/22/2014	4/22/2014	4/22/2014
Yield	2.450261%	2.779529%	2.450261%

PRIOR DEBT SERVICE

City of Yuba City
 2014 Wastewater Revenue Refunding Bonds
 (Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

Period Ending	Principal	Coupon	Interest	Debt Service
6/1/2014	509,077.88	4.370%	170,728.80	679,806.68
6/1/2015	531,324.59	4.370%	319,210.88	850,535.47
6/1/2016	554,543.47	4.370%	295,992.00	850,535.47
6/1/2017	578,777.02	4.370%	271,758.46	850,535.48
6/1/2018	604,069.58	4.370%	246,465.90	850,535.48
6/1/2019	630,467.42	4.370%	220,068.06	850,535.48
6/1/2020	658,018.85	4.370%	192,516.64	850,535.49
6/1/2021	686,774.27	4.370%	163,761.20	850,535.47
6/1/2022	716,786.30	4.370%	133,749.18	850,535.48
6/1/2023	748,109.87	4.370%	102,425.62	850,535.49
6/1/2024	780,802.27	4.370%	69,733.20	850,535.47
6/1/2025	814,923.33	4.370%	35,612.14	850,535.47
Total	7,813,674.85		2,222,022.08	10,035,696.93

ANNUAL DEBT SERVICE

City of Yuba City
 2014 Wastewater Revenue Refunding Bonds
 (Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

Period Ending	Principal	Coupon	Interest	Fiscal Year Debt Service
6/1/2014	660,373.10	2.450%	19,433.58	679,806.68
6/1/2015	595,966.47	2.450%	163,207.76	759,174.23
6/1/2016	610,567.65	2.450%	148,606.58	759,174.23
6/1/2017	625,526.56	2.450%	133,647.66	759,174.22
6/1/2018	640,851.97	2.450%	118,322.26	759,174.23
6/1/2019	656,552.84	2.450%	102,621.40	759,174.24
6/1/2020	672,638.39	2.450%	86,535.86	759,174.25
6/1/2021	689,118.01	2.450%	70,056.20	759,174.21
6/1/2022	706,001.42	2.450%	53,172.82	759,174.24
6/1/2023	723,298.46	2.450%	35,875.78	759,174.24
6/1/2024	741,019.25	2.450%	18,154.98	759,174.23
Total	7,321,914.12		949,634.88	8,271,549.00

SEMIANNUAL DEBT SERVICE

City of Yuba City
 2014 Wastewater Revenue Refunding Bonds
 (Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

Period Ending	Principal	Coupon	Interest	Semiannual Debt Service	Fiscal Year Debt Service
4/22/2014	-		-	-	-
6/1/2014	660,373.10	2.450%	19,433.58	679,806.68	679,806.68
12/1/2014	-		81,603.88	81,603.88	-
6/1/2015	595,966.47	2.450%	81,603.88	677,570.35	759,174.23
12/1/2015	-		74,303.29	74,303.29	-
6/1/2016	610,567.65	2.450%	74,303.29	684,870.94	759,174.23
12/1/2016	-		66,823.83	66,823.83	-
6/1/2017	625,526.56	2.450%	66,823.83	692,350.39	759,174.22
12/1/2017	-		59,161.13	59,161.13	-
6/1/2018	640,851.97	2.450%	59,161.13	700,013.10	759,174.23
12/1/2018	-		51,310.70	51,310.70	-
6/1/2019	656,552.84	2.450%	51,310.70	707,863.54	759,174.24
12/1/2019	-		43,267.93	43,267.93	-
6/1/2020	672,638.39	2.450%	43,267.93	715,906.32	759,174.25
12/1/2020	-		35,028.10	35,028.10	-
6/1/2021	689,118.01	2.450%	35,028.10	724,146.11	759,174.21
12/1/2021	-		26,586.41	26,586.41	-
6/1/2022	706,001.42	2.450%	26,586.41	732,587.83	759,174.24
12/1/2022	-		17,937.89	17,937.89	-
6/1/2023	723,298.46	2.450%	17,937.89	741,236.35	759,174.24
12/1/2023	-		9,077.49	9,077.49	-
6/1/2024	741,019.25	2.450%	9,077.49	750,096.74	759,174.23
Total	7,321,914.12		949,634.88	8,271,549.00	8,271,549.00

ESCROW REQUIREMENTS

City of Yuba City
2014 Wastewater Revenue Refunding Bonds
(Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

Period Ending	Principal	Interest	Principal Redeemed	Redemption Premium	Total
6/1/2014	509,077.88	170,728.80	7,304,596.97	73,045.97	8,057,449.62
	509,077.88	170,728.80	7,304,596.97	73,045.97	8,057,449.62

ESCROW DESCRIPTIONS

City of Yuba City
 2014 Wastewater Revenue Refunding Bonds
 (Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

Purchase Date	Type of Security	CUSIP or ID	Maturity Date	Par Amount	Interest Rate	Yield	Price	Dated Date	Interest Class	Interest Frequency	Interest Day Basis
4/22/2014	SLGS	201401114	6/1/2014	8,057,449.00	0.030%	0.030%	100.000	4/22/2014	Periodic	Semiannual	ACT/ACT
				8,057,449.00							

ESCROW COST

City of Yuba City
 2014 Wastewater Revenue Refunding Bonds
 (Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

Type of Security	Maturity Date	Par Amount	Interest Rate	Yield	Price	Cost	Total Cost
SLGS	6/1/2014	8,057,449.00	0.030%	0.030%	100.000	8,057,449.00	8,057,449.00
							8,057,449.00

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost	Yield
4/22/2014	8,057,449.00	0.61	8,057,449.61	0.030004%
		8,057,449.00	0.61	8,057,449.61

ESCROW CASH FLOW

City of Yuba City
 2014 Wastewater Revenue Refunding Bonds
 (Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

Date	Principal	Interest	Net Escrow Receipts	Present Value to 4/22/2014 @ 0.0300037%
6/1/2014	8,057,449.00	264.90	8,057,713.90	8,057,449.00

Escrow Cost Summary

Purchase date	4/22/2014
Purchase cost of securities	8,057,449.00
Target for yield calculation	8,057,449.00

ESCROW SUFFICIENCY

City of Yuba City
2014 Wastewater Revenue Refunding Bonds
(Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

Date	Escrow Requirement	Net Escrow Receipt	Excess Receipts	Excess Balance
4/22/2014	-	0.61	0.61	0.61
6/1/2014	8,057,449.62	8,057,713.90	264.28	264.89
	8,057,449.62	8,057,714.51	264.89	

COST OF ISSUANCE

City of Yuba City
2014 Wastewater Revenue Refunding Bonds
(Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

Cost of Issuance	\$/1000	Amount
Bond Counsel	5.46305	40,000.00
Counsel Expenses	0.20486	1,500.00
Financial Advisor	5.12161	37,500.00
Placement Agent	2.04864	15,000.00
Bank Counsel	2.04864	15,000.00
CDIAC	0.15023	1,100.00
Escrow Agent	0.13658	1,000.00
Verification Agent	0.20486	1,500.00
Miscellaneous	0.32778	2,400.00
	15.70628	115,000.00

FORM 8038 STATISTICS REPORT

City of Yuba City
 2014 Wastewater Revenue Refunding Bonds
 (Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

Dated Date 4/22/2014
 Delivery Date 4/22/2014

	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Term Bond:						
	6/1/2014	660,373.10	2.450%	100.000	660,373.10	660,373.10
	6/1/2015	595,966.47	2.450%	100.000	595,966.47	595,966.47
	6/1/2016	610,567.65	2.450%	100.000	610,567.65	610,567.65
	6/1/2017	625,526.56	2.450%	100.000	625,526.56	625,526.56
	6/1/2018	640,851.97	2.450%	100.000	640,851.97	640,851.97
	6/1/2019	656,552.84	2.450%	100.000	656,552.84	656,552.84
	6/1/2020	672,638.39	2.450%	100.000	672,638.39	672,638.39
	6/1/2021	689,118.01	2.450%	100.000	689,118.01	689,118.01
	6/1/2022	706,001.42	2.450%	100.000	706,001.42	706,001.42
	6/1/2023	723,298.46	2.450%	100.000	723,298.46	723,298.46
	6/1/2024	741,019.25	2.450%	100.000	741,019.25	741,019.25
		7,321,914.12			7,321,914.12	7,321,914.12

FORM 8038 STATISTICS REPORT

City of Yuba City
 2014 Wastewater Revenue Refunding Bonds
 (Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield	Net Interest Cost
Final Maturity	6/1/2024	2.450%	741,019.25	741,019.25			
Entire Issue			7,321,914.12	7,321,914.12	5.294	2.4503%	2.4500%

FORM 8038 STATISTICS REPORT

City of Yuba City
 2014 Wastewater Revenue Refunding Bonds
 (Refunding of 2007 Wastewater Installment Sale Agreement)

JP Morgan Chase

Refunded Bonds

Bond Component	Date	Principal	Coupon	Price	Issue Price
2007 Installment Sale Agreement:					
SERIAL	6/1/2014	509,077.88	4.370%	100.600	512,132.35
SERIAL	6/1/2015	531,324.59	4.370%	100.600	534,512.54
SERIAL	6/1/2016	554,543.47	4.370%	100.600	557,870.73
SERIAL	6/1/2017	578,777.02	4.370%	100.600	582,249.68
SERIAL	6/1/2018	604,069.58	4.370%	100.600	607,694.00
SERIAL	6/1/2019	630,467.42	4.370%	100.600	634,250.22
SERIAL	6/1/2020	658,018.85	4.370%	100.600	661,966.96
SERIAL	6/1/2021	686,774.27	4.370%	100.600	690,894.92
SERIAL	6/1/2022	716,786.30	4.370%	100.600	721,087.02
SERIAL	6/1/2023	748,109.87	4.370%	100.600	752,598.53
SERIAL	6/1/2024	780,802.27	4.370%	100.600	785,487.08
SERIAL	6/1/2025	814,923.33	4.370%	100.600	819,812.87
					7,860,556.90
		7,813,674.85			

	Last Call Date	Issue Date	Weighted Average Maturity
2007 Installment Sale Agreement:	6/1/2014	5/23/2007	6.116