



City of Ukiah

## Ukiah Public Financing Authority

### Special Meeting **AGENDA**

To participate or view the virtual meeting, go to the following link: <https://zoom.us/j/97199426600>

Or you can call in using your telephone only:

- Call (toll free) 1-888-788-0099
- Enter the Access Code: 971 9942 6600
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Or One tap mobile (for easy connection on smart phones):

US: [+16699009128,97199426600#](tel:+16699009128,97199426600) or [+12532158782,97199426600#](tel:+12532158782,97199426600)

Alternatively, you may view the meeting (without participating) by clicking on the name of the meeting at [www.cityofukiah.com/meetings](http://www.cityofukiah.com/meetings).

February 16, 2022 - 6:00 PM

Meeting will begin at 6:00 p.m., or as soon as the meeting may be held in conjunction with the City Council meeting.

**1 ROLL CALL AND PLEDGE OF ALLEGIANCE**

**2 AUDIENCE COMMENTS ON NON-AGENDA ITEMS**

**3 APPROVAL OF MINUTES**

3.a. Approval of the Minutes for the February 2, 2022, Special Meeting.

**Recommended Action: Approve the Minutes of February 2, 2022, Special Meeting, as submitted.**

Attachments:

1. 2022-02-02 PFA Draft Minutes

**4 NEW BUSINESS**

4.a. Consider Adopting a Resolution Authorizing Electric Revenue Bonds, Series 2022 to Make Capital Improvements to the City's Electric System.

**Recommended Action: Adopt a resolution authorizing the issuance of electric revenue bonds and authorizing the City Manager to execute all related documents for the improvement to various capital assets of City's electric system.**

Attachments:

1. 1 City Reso - Ukiah Electric, 2
2. 2 Authority Reso - Ukiah Electric, 2
3. 3 Installment Sale Agmt

4. 4 Indenture
5. 5 POS
6. 6 Purchase Contract

## **5 ADJOURNMENT**

Please be advised that the Ukiah Public Financing Authority (UPFA) needs to be notified 72 hours in advance of a meeting if any specific accommodations or interpreter services are needed in order for you to attend. The UPFA complies with ADA requirements and will attempt to reasonably accommodate individuals with disabilities upon request. Materials related to an item on this Agenda submitted to the UPFA after distribution of the agenda packet are available for public inspection at the front counter at the Ukiah Civic Center, 300 Seminary Avenue, Ukiah, CA 95482, during normal business hours, Monday through Friday, 8:00 am to 5:00 pm.

I hereby certify under penalty of perjury under the laws of the State of California that the foregoing agenda was posted on the bulletin board at the main entrance of the City of Ukiah City Hall, located at 300 Seminary Avenue, Ukiah, California, not less than 24 hours prior to the meeting set forth on this agenda.

Kristine Lawler, CMC/Ukiah Public Financing Authority Secretary  
Dated: 2/11/22

# Ukiah Public Financing Authority

## Special Meeting

### AGENDA

Virtual Meeting Link: <https://zoom.us/j/97199426600>

February 2, 2022 - 6:00 PM

#### 1. ROLL CALL

The Ukiah Financing Authority met at a Special Meeting on February 2, 2022, having been legally noticed on January 28, 2022. Chair Brown called the meeting to order at 8:07 p.m. Roll was taken with the following **Members Present:** Juan V. Orozco, Douglas, F. Crane, Mari Rodin, Josefina Dueñas, and Jim O. Brown. **Staff Present:** Sage Sangiacomo, City Manager; David Rapport, City Attorney; and Kristine Lawler, Public Financing Authority Secretary.

CHAIR BROWN PRESIDING.

*RECESS: 8:07 – 8:20 P.M.*

#### 2. AUDIENCE COMMENTS ON NON-AGENDA ITEMS

*No public comment was received.*

#### 3. APPROVAL OF MINUTES

a. **Approval of the Minutes for the September 30, 2020; December 15, 2021; and January 19, 2022, Special Meetings.**

**Motion/Second:** Crane/Orozco to approve the minutes for the September 30, 2020; December 15, 2021; and January 19, 2022, Special Meetings, as submitted. Motion **carried** by the following roll call votes: AYES: Orozco, Crane, Rodin, Dueñas, and Brown. NOES: None. ABSENT: None. ABSTAIN: None.

#### 4. UNFINISHED BUSINESS

b. **Consider Adopting Respective Resolutions Authorizing Lease Revenue Bonds, Series 2022 to Renovate the City Corporation Yard and Construct Improvements to Various City Streets.**

**Presenter:** Dan Buffalo, Finance Director.

**Motion/Second:** Crane/Rodin to approve and adopt the attached resolution (*PFA Reso 2202-01*) authorizing the issuance of lease revenue bonds and City management to execute all related documents for the renovation of the City Corporation Yard and improvements to various city streets. Motion **carried** by the following roll call votes: AYES: Orozco, Crane, Rodin, Dueñas, and Brown. NOES: None. ABSENT: None. ABSTAIN: None.

#### 5. ADJOURNMENT

There being no further business, the meeting adjourned at 8:26 p.m.

Kristine Lawler, Ukiah Public Financing Authority Secretary



# AGENDA SUMMARY REPORT

**SUBJECT:** Consider Adopting a Resolution Authorizing Electric Revenue Bonds, Series 2022 to Make Capital Improvements to the City's Electric System.

**DEPARTMENT:** Finance

**PREPARED BY:** Dan Buffalo, Finance Director

**PRESENTER:** Dan Buffalo, Finance Director

**ATTACHMENTS:**

- 1. City Reso - Ukiah Electric
- 2. Authority Reso - Ukiah Electric
- 3. Installment Sale Agmt
- 4. Indenture
- 5. POS
- 6. Purchase Contract

**Summary:**

The Authority Board will consider adopting respective resolutions authorizing revenue bonds, Series 2022 to make capital improvements to the City's electric system. The terms and the amounts presented in this report are subject to change. This item has been placed on the agenda to allow the Board the ability to consider authorization should it be deemed warranted.

**Background:** The City has developed a capital financing strategy to take advantage of current municipal financial market rates to engage in and complete certain capital projects at a lower cost than other ordinary alternatives. It intends to issue debt to finance these projects, funded by revenues generated by the City's electric utility. Proceeds from the Revenue Bonds, Series 2022 (the "Bonds") will be used to make capital improvements to the City's electric system.

City staff worked with its municipal advisor (NHA Advisors, LLC) to develop a financing plan and engage bond counsel (Jones Hall), an underwriter (Piper Sandler), and other parties to complete the financing.

The Ukiah Public Financing Authority (the "Authority") will be used as the conduit entity to assist in the financing as the counterparty to the various legal agreements and as issuer of the Bonds in an aggregate amount of not-to-exceed Eleven Million Dollars (\$11,000,000). This not-to-exceed amount includes issuance costs and any premium or discounts applied at sale. It is anticipated that the Bonds will be repaid over a 20-year term.

**Discussion:** The Financing Documents are being presented to the Authority Board as "form-only documents." The final form of the documents will be produced at this time because the exact amounts, dates, and certain other information will not be known until the actual sale date. The resolutions (Attachments #1 and #2) authorize and direct certain City and Authority officers and staff respectively to finalize the Financing Documents as and when appropriate, and to do all things necessary to provide for the issuance of the Bonds. If the final terms for any reason should fall outside of expected parameters, Staff will return for further direction before finalizing the transaction. Attachment 1 is presented here for reference while Attachment 2 is for Authority consideration and adoption.

The Financing Documents, and a brief description of each, are as follows:

Attachment #3. Installment Sale Agreement: This is the agreement between the City and Authority that provides the mechanism by which the bonds are repaid. The Authority issues bonds payable from installment payments of the City, which are secured by the pledge of net revenues from the Electric Enterprise.

Attachment #4. Indenture of Trust: This agreement provides for execution and delivery of the Bonds in exchange for proceeds in the par amount of the Bonds, and further lays out the covenants and specifics of the Bonds, as well as the Trustee's duties, repayment mechanisms, default and remedies provisions, and Bondholder's associated rights and remedies.

Attachment #5. Preliminary Official Statement: The offering document that discloses to prospective investors certain information that would aid in and investors decision to purchase the Bonds. The current version of the Official Statement (OS) as attached to this staff report is the Preliminary Official Statement. The OS outlines the terms of the sale of the Bonds, security for the Bonds, interest rate, obligations of the City and Authority, information about the City, and potential risks of purchasing the Bonds.

Attachment #6. Contract of Purchase: In this agreement, the underwriter (RBC Capital Markets) agrees to purchase all the Bonds provided that the terms and conditions set forth therein are satisfied. RBC Capital Markets will then sell the Bonds to investors.

**TIMING:**

Assuming approval of the resolutions by the City and the Authority, City Staff and its financing team will deliver a credit rating presentation to S&P Global Ratings (S&P) in mid-February. S&P will provide a public credit rating for the Bonds. Upon receipt of the credit rating, Staff anticipates that the Bonds will be sold to investors in early-to-mid-March, at which time, a final interest rate will be locked. Delivery of funds is expected in late March.

**FINANCIAL IMPACT:**

The annual debt service on the Bonds is estimated to be approximately \$680,000 (principal and interest) for the entire term of the Bonds (FY 2051-52).

**GOOD FAITH ESTIMATES:**

The following information consists of estimates that have been provided by the Municipal Advisor (NHA Advisors, LLC) and has been represented by such party to have been provided in good faith:

1. True Interest Cost of the Bonds: 3.30%
2. Finance Charge of the Bonds (sum of all fees/charges paid to third parties): \$226,910
3. Net Proceeds of the Bonds to be Received (net of finance charges, reserves and capitalized interest, if any): \$10,000,000. Par value of the bonds sold will be higher to account for issuance costs and any premiums or discounts at the time of sale.
4. Total Payment Amount through Maturity of the Bonds: \$16,206,658

The foregoing constitute good faith estimates only. The principal amount of the Bonds, the true interest cost of the Bonds, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to: (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates; (b) the actual principal amount of Bonds sold being different from the estimated amount used for purposes of such estimates; (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates; (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for

purposes of such estimates; (e) other market conditions; or (f) alterations in the City's financing plan, or a combination of such factors.

The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the City based on a variety of factors. The actual interest rates borne by the Bonds may be subject to change from what is presented above and that may have an impact on the amortization of the Bonds.

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**Recommended Action:** Adopt a resolution authorizing the issuance of electric revenue bonds and authorizing the City Manager to execute all related documents for the improvement to various capital assets of City's electric system.

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**BUDGET AMENDMENT REQUIRED:** N/A

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**CURRENT BUDGET AMOUNT:** N/A

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**PROPOSED BUDGET AMOUNT:** N/A

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**FINANCING SOURCE:** N/A

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**PREVIOUS CONTRACT/PURCHASE ORDER NO.:** N/A

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**COORDINATED WITH:** NHA Advisors

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Approved:   
Sage Sangiacomo, City Manager

**RESOLUTION 2022-\_\_\_\_\_****A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF UKIAH AUTHORIZING AN ELECTRIC SYSTEM FINANCING AND APPROVING THE ISSUANCE AND SALE OF ELECTRIC REVENUE BONDS BY THE UKIAH PUBLIC FINANCING AUTHORITY TO FINANCE PUBLIC CAPITAL IMPROVEMENTS, AND APPROVING RELATED DOCUMENTS AND OFFICIAL ACTIONS RELATED THERETO**

**WHEREAS**, the City of Ukiah (the “City”) desires to finance capital improvements to its electric system (collectively, the “Project”); and

**WHEREAS**, the Ukiah Public Financing Authority (the “Authority”) was formed to, among other things, assist the City with financing public capital improvements, including the Project; and

**WHEREAS**, the City and the Authority desire to enter into an Installment Sale Agreement (the “Installment Sale Agreement”), pursuant to which the City will pay for the Project over time, via payment to the Authority of semi-annual installment payments; and

**WHEREAS**, to raise upfront funds for the Project, the Authority proposes to issue and sell its Electric Revenue Bonds, Series 2022 (the “Bonds”) under Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the “Bond Law”); and

**WHEREAS**, in order to secure the payments of principal of and interest on the Bonds, the Authority proposes to pledge the payment of the installment payments by the City under the Installment Sale Agreement to owners of the Bonds pursuant to an Indenture of Trust, between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Indenture”); and

**WHEREAS**, to provide for development of the most favorable debt structure for the City and to ensure the most favorable reception in the marketplace for the Bonds, the City has requested the Authority to sell the Bonds through a negotiated sale pursuant to the terms of a Bond Purchase Agreement (the “Bond Purchase Agreement”) between the Authority, the City and RBC Capital Markets, LLC, as underwriter (the “Underwriter”); and

**WHEREAS**, for purposes of the sale of the Bonds, the City has caused to be prepared an Official Statement describing the Bonds, the preliminary form of which is on file with the City Clerk and the Council, with the aid of their staff, have undertaken such review of the Official Statement as hereinafter described as is necessary to assure proper disclosure of all material facts relating to the Bonds that are within the personal knowledge of Council members and the staff; and

**WHEREAS**, as required by Section 6586.5 of the California Government Code, the City caused publication of a notice of a public hearing on the financing of the public capital improvements included within the Project once at least five (5) days prior to the hearing in a newspaper of general circulation in the City; and

**WHEREAS**, on February 16, 2022, the Council held a public hearing at which all interested persons were provided the opportunity to speak on the subject of financing such public capital improvements; and

**WHEREAS**, the information required to be obtained and disclosed by the City Council related to the Bonds pursuant to Government Code Section 5852.1 is set forth in the staff report accompanying this Resolution; and

**WHEREAS**, the Council wishes at this time to approve all proceedings of the City relating to the foregoing;

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

**Section 1.** The Council hereby approves the issuance of the Bonds by the Authority under the Bond Law in a maximum principal amount not to exceed \$11,000,000, for the purpose of financing the Project. The Council hereby finds that issuance of the Bonds by the Authority for the purpose of financing the Project will result in significant public benefits of the type described in Section 6586 of the California Government Code, including, but not limited to, a more efficient delivery of City services to residential and commercial developments within the City and demonstrable savings in effective interest rate, bond preparation, bond underwriting and/or bond issuance costs.

**Section 2.** The Council hereby approves each of the following agreements required for the issuance and sale of the Bonds, in substantially the respective forms on file with the City Clerk together with any changes therein or additions thereto deemed advisable by the Mayor, Vice Mayor, City Manager, Finance Director, or a designee appointed by such person (each, an "Authorized Officer"), whose execution thereof shall be conclusive evidence of the approval of any such changes or additions. An Authorized Officer is hereby authorized and directed for and on behalf of the City to execute, and the City Clerk is hereby authorized and directed to attest, the final form of each such agreement, as follows:

- Installment Sale Agreement, between the City as purchaser and the Authority as seller, under which the City purchases the Project over time in consideration of the payment of semi-annual installment payments; and
- Continuing Disclosure Certificate, to be executed by the City for the purpose of providing annual financial information and notice of certain enumerated events to holders and beneficial owners of the Bonds.

**Section 3.** The Council hereby approves the negotiated sale of the Bonds by the Authority to the Underwriter. The Bonds shall be sold pursuant to the terms and provisions of the Bond Purchase Agreement among the Authority, the City and the Underwriter in substantially the form on file with the City Clerk together with any changes therein or additions thereto deemed advisable by an Authorized Officer. The true interest cost of the Bonds shall not exceed 3.75% and the Underwriter's discount shall not exceed 0.70%.

**Section 4.** The Council hereby approves the preliminary Official Statement describing the Bonds in substantially the form on file with the City Clerk. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to said preliminary Official Statement, and to execute an appropriate certificate stating the City's determination that the preliminary Official Statement (together with any changes therein or additions thereto) has been deemed nearly final within the meaning of Rule 15c2-12 of the Securities

Exchange Act of 1934. Distribution of the preliminary Official Statement is hereby approved. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The Council hereby authorizes the distribution of the final Official Statement by the underwriter of the Bonds. The final Official Statement shall be executed on behalf of the City by an Authorized Officer.

**Section 5.** The firm of NHA Advisors LLC is hereby retained as municipal advisor to the City in connection with the issuance and sale of the Bonds by the Authority. An Authorized Officer is authorized to execute an agreement with said firm in a form as approved by an Authorized Officer, as necessary.

**Section 6.** The firm of Jones Hall, A Professional Law Corporation, is hereby retained as bond counsel and disclosure counsel to the City in connection with the issuance and sale of the Bonds by the Authority. An Authorized Officer is authorized to execute an agreement with said firm in a form as approved by an Authorized Officer, as necessary.

**Section 7.** The Authorized Officers, the City Attorney, the City Clerk and all other officers of the City are each authorized and directed on behalf of the City to make any and all leases, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance or termination, warrants and other documents, which they or any of them deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution. 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 in the case such officer is absent or unavailable.

**Section 8.** This Resolution shall take effect immediately upon its passage and adoption.

\* \* \* \* \*

**PASSED AND ADOPTED** by the City Council of the City of Ukiah on February 22, 2022 by the following vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

\_\_\_\_\_  
Jim O. Brown, Mayor

ATTEST:

\_\_\_\_\_  
Kristine Lawler, City Clerk

**RESOLUTION NO. PFA 2022-\_\_\_\_\_**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE UKIAH PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF LEASE REVENUE BONDS TO FINANCE PUBLIC CAPITAL IMPROVEMENTS, AND APPROVING RELATED DOCUMENTS AND OFFICIAL ACTIONS RELATED THERETO**

**WHEREAS**, the City of Ukiah (the “City”) desires to finance capital improvements to its electric system (collectively, the “Project”); and

**WHEREAS**, the Ukiah Public Financing Authority (the “Authority”) was formed to, among other things, assist the City with financing public capital improvements, including capital projects of the City; and

**WHEREAS**, the City and the Authority desire to enter into an Installment Sale Agreement (the “Installment Sale Agreement”), pursuant to which the City will pay for the Project over time, via payment to the Authority of semi-annual installment payments; and

**WHEREAS**, to raise upfront funds for the Project, the Authority proposes to issue and sell its Electric Revenue Bonds, Series 2022 (the “Bonds”) under Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the “Bond Law”); and

**WHEREAS**, in order to secure the payments of principal of and interest on the Bonds, the Authority proposes to pledge the payment of the installment payments by the City under the Installment Sale Agreement to owners of the Bonds pursuant to an Indenture of Trust, between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Indenture”); and

**WHEREAS**, to provide for development of the most favorable debt structure for the City and to ensure the most favorable reception in the marketplace for the Bonds, the City has requested the Authority to sell the Bonds through a negotiated sale pursuant to the terms of a Bond Purchase Agreement (the “Bond Purchase Agreement”) between the Authority, the City and RBC Capital Markets, LLC, as underwriter (the “Underwriter”); and

**WHEREAS**, for purposes of the sale of the Bonds, the City has caused to be prepared an Official Statement describing the Bonds, the preliminary form of which is on file with the Secretary and the Board of Directors, with the aid of their staff, have undertaken such review of the Official Statement as hereinafter described as is necessary to assure proper disclosure of all material facts relating to the Bonds that are within the personal knowledge of members of the Board of Directors and the staff; and

**WHEREAS**, as required by Section 6586.5 of the California Government Code, the City caused publication of a notice of a public hearing on the financing of the public capital improvements included within the Project once at least five (5) days prior to the hearing in a newspaper of general circulation in the City; and

**WHEREAS**, on February 16, 2022, the City Council of the City held a public hearing at which all interested persons were provided the opportunity to speak on the subject of financing such public capital improvements; and

**WHEREAS**, the information required to be obtained and disclosed by the Board of Directors related to the Bonds pursuant to Government Code Section 5852.1 is set forth in the staff report accompanying this Resolution; and

**WHEREAS**, the Board wishes at this time to approve all proceedings of the Authority relating to the foregoing.

**NOW, THEREFORE, IT IS HEREBY DETERMINED AND RESOLVED BY THE BOARD OF DIRECTORS OF THE UKIAH PUBLIC FINANCING AUTHORITY AS FOLLOWS:**

**Section 1.** The Board of Directors hereby authorizes the issuance of the Bonds under the Bond Law in a maximum principal amount not to exceed \$11,000,000, for the purpose of financing the Project. The Bonds shall be issued under the Bond Law and the Indenture of Trust that is approved below.

**Section 2.** The Board hereby approves each of the following agreements required for the issuance and sale of the Bonds, in substantially the respective forms on file with the Secretary together with any changes therein or additions thereto deemed advisable by the Chair, Vice Chair, Executive Director, Treasurer, or a designee appointed by such person (each, an "Authorized Officer"), whose execution thereof shall be conclusive evidence of the approval of any such changes or additions. Such changes or additions may include, but is not limited to, providing that payment of the Bonds be insured by a financial guaranty policy from a bond insurance company and/or secured by a reserve surety policy, if in the judgment of an Authorized Officer such insurance and/or reserve surety policy is in the best interest of the Authority. An Authorized Officer is hereby authorized and directed for and on behalf of the Authority to execute, and the Secretary is hereby authorized and directed to attest, the final form of each such agreement, as follows:

- Installment Sale Agreement, between the City as purchaser and the Authority as seller, under which the City purchases the Project over time in consideration of the payment of semi-annual installment payments; and
- Indenture of Trust, between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, setting forth the terms and provisions relating to the Bonds;

**Section 3.** The Board of Directors hereby authorizes and directs the negotiated sale of the Bonds to the Underwriter. The Bonds shall be sold pursuant to the terms and provisions of the Bond Purchase Agreement among the Authority, the City and the Underwriter in substantially the form on file with the Secretary together with any changes therein or additions thereto deemed advisable by an Authorized Officer. The true interest cost of the Bonds shall not exceed 3.75% and the Underwriter's discount shall not exceed 0.70%.

**Section 4.** The Board of Directors hereby approves the preliminary Official Statement describing the Bonds in substantially the form on file with the Secretary. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to said

preliminary Official Statement and to execute an appropriate certificate stating the Authority's determination that the preliminary Official Statement (together with any changes therein or additions thereto) has been deemed nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934. Distribution of the preliminary Official Statement is hereby approved. An Authorized Officer is hereby authorized and directed to approve any changes in or additions to a final form of said Official Statement, and the execution thereof by an Authorized Officer shall be conclusive evidence of approval of any such changes and additions. The Board of Directors hereby authorizes the distribution of the final Official Statement by the underwriter of the Bonds. The final Official Statement shall be executed on behalf of the Authority by the Chair or an Authorized Officer.

**Section 5.** The Authorized Officers, the General Counsel to the Authority, the Secretary and all other officers of the Authority are each authorized and directed on behalf of the Authority to make any and all leases, assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance or termination, warrants and other documents, which they or any of them deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved under this Resolution. Whenever in this resolution any officer of the Authority 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 7.** This Resolution shall take effect immediately upon its passage and adoption.

\* \* \* \* \*

**THE FOREGOING RESOLUTION WAS PASSED AND ADOPTED** by the Board of Directors of the Ukiah Public Financing Authority at a regular meeting held on this February 16, 2022 by the following roll call vote:

AYES:  
NOES:  
ABSENT:  
ABSTAIN:

\_\_\_\_\_  
Jim O. Brown, Chair of the Ukiah Public  
Financing Authority

ATTEST:

\_\_\_\_\_  
Kristine Lawler, Secretary of the Ukiah Public Financing Authority

# INSTALLMENT SALE AGREEMENT

Dated as of March 1, 2022

between the

**UKIAH PUBLIC FINANCING AUTHORITY,**  
*as Seller*

and the

**CITY OF UKIAH,**  
*as Purchaser*

Relating to:

**Ukiah Public Financing Authority  
Electric Revenue Bonds**

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## INSTALLMENT SALE AGREEMENT

This INSTALLMENT SALE AGREEMENT (this “Agreement”), dated as of March 1, 2022, is between the UKIAH PUBLIC FINANCING AUTHORITY, a joint powers agency duly organized and existing under laws of the State of California (the “Authority”), as seller, and the CITY OF UKIAH, a municipal corporation duly organized and existing under the laws of the State of California (the “City”), as purchaser.

### BACKGROUND:

1. The City owns and operates a system for the generation, transmission and distribution of electricity within the service area of the City (as more specifically defined herein, the “Electric System”), and the City wishes to provide funds for financing the acquisition, construction and installation of certain improvements to the Electric System (as more specifically defined herein, collectively, the “Projects”).

2. In order to provide financing for Projects, the City has requested the Authority to issue its Electric Revenue Bonds, Series 2022 in the aggregate principal amount of \$\_\_\_\_\_ (the “2022 Bonds”) under an Indenture of Trust dated as of March 1, 2022 (as may be supplemented from time to time, the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), and under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the “Bond Law”).

3. The Authority was formed for the purpose of assisting the City in the financing and refinancing of facilities and property which are useful to the City, and in order to provide funds to finance the Projects, the Authority has proposed to enter into this Agreement with the City under which the Authority agrees to issue the 2022 Bonds and thereby provide funds to finance the Projects, and the Authority further agrees to sell the completed Projects to the City in consideration of the agreement by the City to pay semiannual installment payments (the “Installment Payments”) as the purchase price thereof.

4. The Installment Payments are payable from, and are secured by a pledge of and lien on, the Net Revenues of the Electric System, which are allowed to be on a parity with any Parity Debt (defined herein) that may be issued in the future.

5. For the purpose of obtaining the moneys required to finance the Projects in accordance with the terms hereof, the Authority has assigned and transferred certain of its rights under this Agreement to the Trustee under the Indenture.

### AGREEMENT:

In consideration of the foregoing and the material covenants hereinafter contained, the City and the Authority formally agree as follows:

## ARTICLE I

### DEFINITIONS

**Section 1.1. Definitions.** Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Agreement have the respective meanings given such terms in this Section. Capitalized terms used in this Agreement and not otherwise defined in this Section have the respective meanings given them in Appendix A to the Indenture.

“Additional Payments” means the amounts payable by the City under Section 4.7.

“Additional Revenues” means either or both of the following:

(i) An allowance for revenues from any additions to or improvements or extensions of the Electric System to be constructed with the proceeds of such additional obligations, and also for Net Revenues from any such additions, improvements or extensions which have been constructed from any source of funds but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following issuance of the proposed Parity Debt, all as shown by the certificate or opinion of a Financial Consultant employed by the City, may be added to such Net Revenues.

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

“Balloon Indebtedness” means, with respect to any Parity Debt for which 25% or more of the principal or other face amount matures or becomes due on the same date or within a 12-month period (with mandatory sinking fund payments deemed to be payments of matured principal), that portion of such Parity Debt which matures or becomes due on such date or within such 12-month period.

“Bonds” means (a) the 2022 Bonds and (b) any other bonds, notes or obligations issued under the Indenture and payable in whole or in part from Net Revenues hereunder.

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate which is executed and delivered by the City on the Closing Date.

“Debt Service” means, for any period in question, the sum of (a) the Installment Payments due and payable hereunder in such period[, plus any reimbursements payable to an Insurer on a parity with the payment of the Installment Payments]; and (b) the principal and interest[, and reimbursements payable to an Insurer on a parity with the payment thereof] on all Parity Debt due and payable in such period (assuming any proposed Parity Debt to be issued hereunder has in fact been issued); *provided, however*, that (i) with respect to any Installment Payments or Parity Debt that bear interest at a variable rate, such interest shall be assumed to bear interest at the highest of: (1) the actual rate on the date of calculation, or if such obligation

is not yet outstanding, the initial rate (if established and binding), (2) if such obligation has been outstanding for at least 12 months, the average rate of the 12 months immediately preceding the date of calculation, or (3)(A) if interest on such obligation is excludable from gross income under the Tax Code, the Bloomberg BVAL AAA Municipal Callable Curve yields for comparable maturities (or comparable index if no longer published) plus 100 basis points, or (B) if interest is not so excludable, the interest rate on direct United States Treasury obligations with comparable maturities plus 100 basis points, and (ii) Balloon Indebtedness shall be treated as if it were to be amortized in substantially equal annual installments during the term of 20 years from the applicable date of calculation.

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

“Electric System” means the electric public utility system of the City, comprising all electric generation, transmission and distribution facilities and all general plant facilities related thereto now owned by the City and all other properties, structures or works for the generation, transmission or distribution of electricity hereafter acquired by the City, including all contractual rights for electricity or the generation or transmission thereof, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired.

“Event of Default” means any of the events specified in Section 6.1.

“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 electric systems similar to the Electric System; (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.

“Gross Revenues” means all gross income and revenue received by the City from the ownership and operation of the Electric System, including, without limiting the generality of the foregoing, (a) all amounts levied by the City as a fee for connecting to the Electric System, as such fee is established from time to time under applicable law, (b) all income, rents, rates, fees, charges or other moneys derived from the services and facilities of the Electric System, (c) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or under applicable law to the Electric System, (d) the proceeds derived by the City directly or indirectly from the sale, lease or other disposition of a part of the Electric System as permitted under this Agreement, (e) amounts transferred into the Electric Fund from a Rate Stabilization Fund, and (f) amounts received by the City from other public agencies as the proceeds of tax revenues or other amounts payable to the City under contracts for services provided by the City to users of the Electric System; *provided, however*, that the term “Gross Revenues” shall not include (i) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the City, (ii) the proceeds of any *ad valorem* property taxes levied to pay general obligation bond indebtedness of the City with respect to the Electric System, and (iii) 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 Electric System.

“Indenture” means the Indenture of Trust dated as of March 1, 2022, as may be supplemented from time to time, between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee.

“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.

“Insurer” means any provider of a municipal bond insurance policy or reserve fund insurance policy or similar instrument or agreement related to the Installment Payments or any Parity Debt.

“Installment Payment Date” means, with respect to any Interest Payment Date, the 6th Business Day immediately preceding such Interest Payment Date.

“Installment Payments” means, collectively (a) the 2022 Installment Payments which the City is obligated to pay under Section 4.4(a) and (b) any installment payments which the City is obligated to pay under any supplement hereto entered into for the purpose of issuing Parity Debt.

“Maximum Annual Debt Service” means, as of the date of any calculation, the maximum amount of Debt Service 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 all expenses and costs of management, operation, maintenance and repair of the Electric System, including, without limiting the generality of the foregoing, (a) all costs of electric energy and power generated or purchased by the City for resale, costs of transmission, and fuel and water supply in connection with the foregoing, including all amounts required to be paid by the City under contracts for the purchase of capacity, energy, transmission capability or any other commodity or service related thereto that requires payments to be made by the City thereunder to be treated as maintenance and operation costs of the Electric System, (b) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Electric System in good repair and working order, (c) all administrative costs of the City that are charged directly or apportioned to the operation of the Electric System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums; *provided, however*, that the term “Operation and Maintenance Costs” shall not include (i) payment of the Installment Payments which the City is required to pay hereunder, (ii) payment of debt service on bonds, notes or other obligations issued by the City with respect to the Electric System, (iii) depreciation, replacement and obsolescence charges or reserves therefor, (iv) capital expenditures made by the City with respect to the Electric System, (v) accrual of employee benefits which are not funded, (vi) amortization of intangibles or other bookkeeping entries of a similar nature, and (vii) the 6% in-lieu franchise tax payable to the General Fund of the City pursuant to Resolution No. 94-4 adopted by the City Council of the City on August 4, 1993, or any successor thereto.

“Overdue Rate” means the highest rate of interest on any of the Outstanding Bonds.

“Parity Debt” means, collectively any and all of the following obligations: (a) bonds, notes, leases, installment sale agreements or other obligations of the City, and (b) additional obligations under this Agreement created by amendment or supplement hereto, in either case, that are payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the Installment Payments, entered into or issued under and in accordance with Section 5.7.

“Projects” means, collectively, (a) the 2022 Project and (b) other projects that may be described in any supplement hereto.

“Parity Debt Documents” means, with respect to any issue of Parity Debt, the agreement, indenture of trust, resolution, supplement hereto, 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 5.6.

“2022 Bonds” means the Ukiah Public Financing Authority Electric Revenue Bonds, Series 2022.

“2022 Installment Payments” means the payments described as such and scheduled to be paid by the City under and pursuant to the terms hereof, as described in Appendix A hereto.

“2022 Project” means the property, equipment and facilities described more fully in Appendix B, as may be modified by the City in accordance with the provisions of Section 3.5.

## **Section 1.2. Interpretation.**

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to 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 Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof.

## ARTICLE II

### REPRESENTATIONS, COVENANTS AND WARRANTIES

**Section 2.1. Representations, Covenants and Warranties of the City.** The City represents, covenants and warrants to the Authority as follows:

(a) Due Organization and Existence. The City is a municipal corporation duly organized and validly existing under the laws of the State of California, has full legal right, power and authority under said laws to enter into this Agreement and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action the City Council of the City has duly authorized the execution and delivery of this Agreement.

(b) Due Execution. The representatives of the City executing this Agreement are fully authorized to execute the same.

(c) Valid, Binding and Enforceable Obligations. This Agreement has been duly authorized, executed and delivered by the City and constitutes the legal, valid and binding agreements of the City enforceable against the City in accordance with its terms; except as the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and except as such enforceability may be subject to the exercise of judicial discretion in accordance with principles of equity.

(d) No Conflicts. The execution and delivery of this Agreement and the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement or the financial condition, assets, properties or operations of the City, including but not limited to the performance of the City's obligations under this Agreement.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the City after reasonable investigation, threatened against or affecting the City or the assets, properties or operations of the City which, if

determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement, or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement, or the financial conditions, assets, properties or operations of the City, including but not limited to the payment and performance of the City's obligations under this Agreement.

**Section 2.2. Representations, Covenants and Warranties of Authority.** The Authority represents, covenants and warrants to the City as follows:

(a) Due Organization and Existence. The Authority is a joint powers agency duly organized and existing under Article 1 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6500 of said Code, and has power to enter into this Agreement and the Indenture and to perform the duties and obligations imposed on it hereunder and thereunder. The Board of Directors of the Authority has duly authorized the execution and delivery of this Agreement and the Indenture.

(b) Due Execution. The representatives of the Authority executing this Agreement and the Indenture are fully authorized to execute the same.

(c) Valid, Binding and Enforceable Obligations. This Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding agreements of the Authority with the Authority, enforceable against the Authority in accordance with their respective terms; except as the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and except as such enforceability may be subject to the exercise of judicial discretion in accordance with principles of equity.

(d) No Conflicts. The execution and delivery hereof and of the Indenture, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Authority is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Authority, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially adversely affect the consummation of the transactions contemplated hereby and by the Indenture or the financial condition, assets, properties or operations of the Authority, including but not limited to the performance of the Authority's obligations under this Agreement and the Indenture.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Authority, and no consent, permission, authorization, order or

license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery hereof or of the Indenture, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) **No Litigation.** There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Authority after reasonable investigation, threatened against or affecting the Authority or the assets, properties or operations of the Authority which, if determined adversely to the Authority or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement or the Indenture, or upon the financial condition, assets, properties or operations of the Authority, and the Authority is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by this Agreement or the Indenture or the financial conditions, assets, properties or operations of the Authority, including but not limited to the performance of the Authority's obligations hereunder and under the Indenture.

## ARTICLE III

### ISSUANCE OF BONDS; CONSTRUCTION OF PROJECT

**Section 3.1. Issuance of Bonds.** The Authority hereby agrees to issue the Bonds and to cause the proceeds thereof to be applied in accordance with the Indenture and this Agreement. The City hereby approves the Indenture, the assignment thereunder to the Trustee of certain rights of the Authority and the issuance of the Bonds.

**Section 3.2. Deposit of Bond Proceeds.** On the Closing Date the Authority shall cause the proceeds of the 2022 Bonds to be applied as set forth in Section 3.02 of the Indenture, and any proceeds of any other series of Bonds to be applied as set forth in the applicable supplement hereto.

**Section 3.3. Appointment of City as Agent.** The Authority hereby appoints the City as its agent to carry out all phases of the acquisition, construction and installation of the Projects under and in accordance with the provisions hereof. The City hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Authority regarding the acquisition, construction and installation of the Projects. As agent of the Authority hereunder, the City shall enter into, administer and enforce all purchase orders or other contracts relating to the Projects.

**Section 3.4. Construction of the Projects.** Payment of Project Costs shall be made by the City from amounts held by the Trustee in the Project Fund in accordance with the provisions of this Agreement and the provisions of Section 3.04 of the Indenture. The Trustee shall disburse amounts in the Project Fund from time to time to pay Project Costs upon submission of a Written Requisition of the City, in substantially the form set forth in Appendix C to the Indenture, stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against

the Project Fund. The Trustee may conclusively rely on the representations set forth in such Written Requisitions and shall be fully protected in relying thereon.

The City hereby agrees with due diligence to supervise and provide for, or cause to be supervised and provided for, the acquisition and construction of the Projects in accordance with the plans and specifications, purchase orders, construction contracts and other documents relating thereto and approved by the City under all applicable requirements of law. All contracts for, and all work relating to, the acquisition and construction of the Projects are subject to all applicable provisions of law relating to the acquisition and construction of public works by the City. The City expects that the acquisition and construction of the Projects will be completed on or before the date set forth in the tax certificate related to the Bonds. The failure of the City to complete the Projects by that date will not constitute an Event of Default hereunder or grounds for termination hereof, nor result in the diminution, abatement or extinguishment of the obligations of the City to pay the Installment Payments when due hereunder.

**Section 3.5. Plans and Specifications; Modification of Project Description.** The City has the right to specify the exact scope, nature and identification of the Projects and the respective components thereof. Without limiting the generality of the foregoing, the City has the right to amend the description of the Projects contained in Appendix B or in any supplement hereto, including for the purpose of including additional Projects not originally included therein. Before any payment is made for the Projects or any component thereof from amounts on deposit in the Project Fund, the City shall prepare detailed plans and specifications relating thereto. The City may from time to time amend any the plans and specifications, and thereby change or modify the description of the Projects or any component thereof.

**Section 3.6. Certificate of Project Completion.** Upon the determination by the City that the Projects have been completed and that no further amounts are required to be disbursed from the Project Fund to pay Project Costs, a City Representative shall execute and deliver to the Authority and the Trustee a certificate of a City Representative which states that the acquisition and construction of the Projects have been completed and that no further amounts are required to be disbursed from the Project Fund to pay Project Costs.

## ARTICLE IV

### INSTALLMENT SALE OF PROJECTS;

**Section 4.1. Installment Sale of Projects.** The Authority hereby sells the completed Projects to the City, and the City hereby purchases the completed Projects from the Authority, upon the terms and conditions set forth in this Agreement.

**Section 4.2. Term.** The Term of this Agreement shall commence on the Closing Date and end on the final maturity date for the Bonds, or such later or earlier date on which the Bonds cease to be Outstanding under and within the meaning of the Indenture.

**Section 4.3. Transfer of Title.** Title to the Projects, and each component thereof, will be deemed conveyed by the City to the Authority upon the completion thereof. The Authority and the City agree that no further action or documentation is intended to be required to cause the transfer of title to the Projects; however, if any further actions or documentation is so

required, the Authority and the City shall take such actions and execute, deliver and cause to be recorded all such documents.

#### **Section 4.4. Installment Payments.**

(a) Obligation to Pay. The City hereby agrees to pay the Authority, as the purchase price of the Projects hereunder, amounts specified in this Section 4.04 and pursuant to any supplement hereto from time-to-time. In furtherance of the foregoing, the City hereby agrees to pay to the Authority, as the purchase price of the 2022 Project the aggregate principal amount of \$\_\_\_\_\_, together with interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, payable in semiannual 2022 Installment Payments in the respective amounts and on the respective Installment Payment Dates set forth in Appendix A. The 2022 Installment Payment coming due and payable on any Installment Payment Date shall be deposited by the City with the Trustee, as assignee of the Authority under the Indenture, in an amount which, together with amounts then held by the Trustee in the Bond Fund and the accounts therein, is equal to the full amount of such 2022 Installment Payment. The 2022 Installment Payments shall be secured by and payable solely from the sources specified in Section 4.5.

(b) Effect of Prepayment. If the City prepays all remaining Installment Payments in full, the City's obligations under this Agreement will thereupon cease and terminate with respect to the Installment Payments; *provided, however*, that the City's obligations to compensate and indemnify the Trustee under Section 8.07 of the Indenture will survive such prepayment. If the City prepays the Installment Payments in part but not in whole, the principal component of each succeeding Installment Payment related thereto will be reduced as provided in such Sections, and the interest component of each remaining Installment Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Bonds thereby redeemed under the applicable provisions of Section 4.01 of the Indenture, as provided in a certificate of a City Representative. The City shall provide the Trustee with a revised schedule of Installment Payments which results from any such prepayment in such certificate of a City Representative.

(c) Rate on Overdue Payments. If the City fails to make any of the payments required in this Section or in Section 4.7, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment, at the Overdue Rate.

(d) Assignment. The City understands and agrees that certain rights of the Authority, including but not limited to the right of the Authority to receive payment of the Installment Payments, have been assigned by the Authority to the Trustee in trust under the Indenture, for the benefit of the Owners of the Bonds, and the City hereby consents to such assignment. The Authority hereby directs the City, and the City hereby agrees, to pay to the Trustee at its Office, all payments payable by the City under this Section and all amounts payable by the City under Article VII.

#### **Section 4.5. Pledge and Application of Net Revenues.**

(a) Pledge of Net Revenues. The Installment Payments and any Parity Debt are equally secured by a first pledge, charge and lien upon the Net Revenues and (with respect to the Installment Payments) moneys in the Bond Fund, including all amounts derived from the investment of such moneys, without priority for series, issue, number or date, and the payment

of the Installment Payments shall be and are secured by an exclusive pledge, charge and lien upon the Net Revenues and such moneys. 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 this Section and any Parity Debt Document.

(b) Deposit of Gross Revenues Into Electric Fund; Transfers to Make Payments. The City has previously established the Electric Fund, which the City shall continue to hold and maintain for the purposes and uses set forth herein. The City shall deposit all Gross Revenues in the Electric Fund promptly upon the receipt thereof, and shall apply amounts in the Electric Fund solely for the uses and purposes set forth herein and for the uses and purposes set forth in any Parity Debt Documents.

The City shall withdraw amounts on deposit in the Electric 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 Electric Fund to pay all Operation and Maintenance Costs when due.

(ii) Debt Service. The City shall pay the Installment Payments on or before the applicable Installment Payment Date, and all payments of principal of and interest on outstanding Parity Debt on or before the date specified therefor in the applicable Parity Debt Document.

(iii) Reserve Accounts and Other Required Payments. The City shall make other payments or deposits required to comply with the provisions of this Agreement and all Parity Debt Documents, including but not limited to payments or deposits required to restore the required balances in any reserve account established pursuant to the Indenture for any series of Bonds and any other reserve fund or reserve account which may be established for Parity Debt (or pay any reserve insurer any amounts owed in connection with any draw on any reserve fund insurance policies).

Payment of the Installment Payments and the principal of and interest on the outstanding Parity Debt, and payments made in accordance with any reserve account or reserve fund (including to pay any reserve insurer any amounts owed in connection with any draw on any reserve fund insurance policies), shall be made without preference or priority. If the amount of Net Revenues on deposit in the Electric Fund are any time insufficient to enable the City to pay when due the Installment Payments and the principal of and interest on all outstanding Parity Debt (or payments made in accordance with any reserve account or reserve fund, including to pay any reserve insurer any amounts owed in connection with any draw on any reserve fund insurance policies), such payments will be made on a pro rata basis.

(c) Other Uses Permitted. The City shall manage, conserve and apply the amounts on deposit in the Electric Fund in such a manner that all deposits required to be made under the preceding subsection (b) will be made at the times and in the amounts so required. So long as no Event of Default has occurred and is continuing and the City has reserved sufficient amounts to make debt service deposits next required to be made under subsection (b) above and under any Parity Debt Documents, the City may at any time use and apply moneys in the Electric Fund for any one or more of the following purposes:

- (i) the payment of any subordinate obligations or any unsecured obligations, including the 6% in-lieu franchise tax payable to the General Fund of the City;
- (ii) the acquisition and construction of extensions and improvements to the Electric System;
- (iii) the redemption of any obligations of the City relating to the Electric System; or
- (iv) any other lawful purpose of the City relating to the Electric System.

**Section 4.6. Special Obligation of the City; Obligations Absolute.** The City's obligation to pay the Installment Payments and any other amounts coming due and payable hereunder shall be a special obligation of the City limited solely to the Net Revenues. Under no circumstances is the City required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments and such other amounts, and no other funds or property of the City are liable for the payment of the Installment Payments.

The obligation of the City to make the Installment Payments from the Net Revenues and to perform and observe the other agreements contained herein is absolute and unconditional and is not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the City or otherwise with respect to the Electric System, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the City by the Authority or the Trustee. Until all of the Installment Payments, Additional Payments, and other amounts coming due and payable hereunder have been fully paid or prepaid, the City will:

- (a) not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts,
- (b) perform and observe all other agreements contained in this Agreement, and
- (c) not terminate this Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Electric System, failure to complete the acquisition and construction of the Projects by the estimated completion date thereof, sale of the Electric System, the taking by eminent domain of title to or temporary use of any component of the Electric System, commercial frustration of purpose, any change in the tax or law other laws of the United States of America or the State of California or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or this Agreement.

Nothing contained in this Section releases the Authority from the performance of any of the agreements on its part contained herein or in the Indenture, and if the Authority fails to perform any such agreements, the City may institute such action against the Authority as the City may deem necessary to compel performance so long as such action does not abrogate the obligations of the City contained in the preceding paragraph. The City may, however, at its cost

and expense and in its name or in the name of the Authority, prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect the City's rights hereunder, and in that event the Authority will cooperate fully with the City and to take such action necessary to effect the substitution of the City for the Authority in such action or proceeding if the City may request.

**Section 4.7. Additional Payments.** In addition to the Installment Payments, the City shall pay when due the following amounts to the following parties:

(a) to the Authority, all costs and expenses incurred by the Authority to comply with the provisions of this Agreement and the Indenture;

(b) to the Trustee upon request therefor, all of its costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Indenture or any related documents;

(c) to the Authority and the Trustee, all amounts required to indemnify the Trustee under Section 8.07 of the Indenture;

(d) to the Insurer all amounts payable to the Insurer not classified as Installment Payments, including Policy Costs (as defined in the Indenture); and

(e) all costs and expenses of auditors, engineers and accountants.

The Additional Payments shall be payable from, but are not secured by a pledge or lien upon, the Net Revenues. The rights of the Trustee and the Authority under this Section, and the obligations of the City under this Section, shall survive the termination of this Agreement and the resignation or removal of the Trustee.

## ARTICLE V

### FINANCIAL COVENANTS

**Section 5.1. Disclaimer of Warranties.** The Trustee makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Projects or any component thereof, or any other representation or warranty with respect to any of the Projects or any component thereof. In no event shall the Authority or the Trustee be liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Agreement or the Indenture for the existence, furnishing, functioning or use of the Projects.

**Section 5.2. Sale or Eminent Domain of Electric System.** Except as provided herein, the City covenants that the Electric System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed 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 Installment Payments or the principal of or interest on any Parity Debt, or would materially adversely affect its ability to comply with the terms of this Agreement and any Parity Debt Documents. The City may not enter into any agreement which impairs the operation of the Electric System or any part of it necessary to secure adequate Net Revenues to pay the

Installment Payments and any Parity Debt, or which otherwise would impair the rights of the Bond Owners or the Trustee with respect to the Net Revenues.

If any substantial part of the Electric System is sold, the payment therefor must either (a) be used for the acquisition or construction of improvements and extensions or replacement facilities or (b) be applied to prepay the Installment Payments and/or redeem any Parity Debt in accordance with the related Parity Debt Documents.

Any amounts received as awards as a result of the taking of all or any part of the Electric 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 either (a) be used for the acquisition or construction of improvements and extension of the Electric System, or (b) be applied to prepay the Installment Payments and/or redeem any Parity Debt in accordance with the related Parity Debt Documents.

**Section 5.3. Insurance.** The City will at all times maintain with responsible insurers all such insurance on the Electric System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Electric System; *provided, however,* that the City is not required to maintain earthquake insurance with respect to the Electric System or any component thereof. All amounts collected from insurance against accident to or destruction of any portion of the Electric System shall be used, at the option of the City, either (a) to repair or rebuild such damaged or destroyed portion of the Electric System, and/or (b) to prepay the Installment Payments or redeem any Parity Debt in accordance with the related Parity Debt Documents.

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, the Trustee and the Owners of the Bonds. The Trustee has no liability to determine whether the City is in compliance with the provisions of this Section.

Any policy of insurance required under this Section may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance.

**Section 5.4. Records and Accounts.** The City shall keep proper books of record and accounts of the Electric System in which complete and correct entries shall be made of all transactions relating to the Electric System. Said books shall, upon prior request, be subject to the reasonable inspection of the Owners of not less than 10% of the Outstanding Bonds, or their representatives authorized in writing, upon not less than two Business Days' prior notice to the City.

The City shall cause the books and accounts of the Electric System to be audited annually by an Independent Accountant not more than nine months after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Bond Owners at the office of the City and at the Office of the Trustee. Such report may be part of a combined financial audit or report covering all or part of the City's finances.

**Section 5.5. Rates and Charges.** The City hereby covenants that it shall prescribe, revise and collect rates, fees and charges for the services and facilities of the Electric System which, after allowances for contingencies and error in the estimates, shall produce Gross Revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least [1.20] times the Debt Service coming due and payable during such Fiscal Year.

**Section 5.6. Establishment of Rate Stabilization Fund.** The City has the right at any time to establish a rate stabilization fund (the "Rate Stabilization 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 Electric 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 Installment Payments 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 Electric Fund in any Fiscal Year for the purpose of paying Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from a Rate Stabilization Fund to the Electric Fund shall constitute Gross Revenues for such Fiscal Year (except as otherwise provided herein), and shall be applied for the purposes of the Electric Fund. Amounts on deposit in a Rate Stabilization Fund shall not be pledged to or otherwise secure the Installment Payments 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 Electric 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 5.7. Issuance of Parity Debt.**

(a) The City may issue Parity Debt in such principal amount as it determines, subject to the following conditions precedent:

(i) The City is not in default under the terms of this Agreement (and no event has occurred which, once all notice and grace periods have passed, would constitute a default hereunder) unless such default shall be cured upon such issuance;

(ii) Net Revenues, calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any more recent 12-month period selected by the City ending not more than 60 days prior to the adoption or execution of the Parity Debt Document pursuant to which such Parity Debt is issued or incurred, plus, at the option of the City, the Additional Revenues, shall have amounted to at least [1.20] times the Maximum Annual Debt Service coming due and payable in any future Fiscal Year.

(b) The City shall deliver to the Authority and the Trustee a certificate of a City Representative certifying that each of the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied.

(c) Notwithstanding the foregoing provisions of this Section, the City shall not be required to meet the requirements of the foregoing subsection (a)(ii) with respect to the issuance of any Parity Debt the proceeds of which are applied to prepay or discharge the Installment Payments or any Parity Debt, provided that as a result of such prepayment or

discharge the aggregate amount of Debt Service on the Installment Payments and Parity Debt which will be outstanding following the issuance of such Parity Debt will be reduced in every Fiscal Year.

**Section 5.8. Senior Lien Debt.** During the Term of this Agreement, the City shall not issue or incur any additional bonds or other obligations having any priority in payment of principal or interest out of the Gross Revenues over the Installment Payments, provided that the City may incur obligations payable as Operation and Maintenance Costs. In addition, nothing herein limits or affects the ability of the City to issue or incur (a) Parity Debt under Section 5.7, or (b) obligations which are either unsecured or which are secured on a basis which is junior and subordinate to the pledge of and lien upon the Net Revenues established hereunder.

**Section 5.9. Compliance with Parity Debt Documents.** The City shall comply with all of the provisions of the Parity Debt Documents (if any) and shall not take action which constitutes, or which with the passage of time if not cured would constitute, an event of default under and as defined in any of the Parity Debt Documents.

**Section 5.10. Operation of Electric System in Efficient and Economical Manner.** The City shall operate the Electric System in an efficient and economical manner and to operate, maintain and preserve the Electric System in good repair and working order.

**Section 5.11. Tax Covenants Relating to Bonds.** The following covenants apply to Bonds for which interest is intended to be excluded from income under the Tax Code:

(a) Private Business Use Limitation. The City shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) 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.

(c) No Arbitrage. The City shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations 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(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The City shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The City shall calculate or cause to be calculated the Excess Investment Earnings in all respects at the times and in the manner required under the Tax Code. The City shall pay the full amount of 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 shall be made by the City from any source of legally available funds of the City, and shall constitute Additional Rental Payments hereunder.

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. In order to provide for the administration of this subsection, the City may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the City may deem appropriate. The Trustee has no duty or obligation to monitor or enforce compliance by the City of any of the requirements under this subsection.

**Section 5.12. Assignment and Amendment Hereof.** This Agreement may not be assigned by the City in whole or in part. This Agreement may be amended or supplemented by the City and the Authority, but only (a) for the purpose of providing for the issuance of any other Parity Debt under and in accordance with Section 5.7, or (b) otherwise under the circumstances and to the extent permitted under Section 9.01 of the Indenture.

**Section 5.13. Continuing Disclosure.** The City shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the City as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with its terms. Notwithstanding any other provision of this Agreement, failure of the City to comply with such Continuing Disclosure Certificate will not constitute an Event of Default, although any Participating Underwriter (as that term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the City of its obligations under this Section, including seeking mandate or specific performance by court order.

**Section 5.14. Covenants and Agreements Related to the Insurance Policies.** Notwithstanding anything to the contrary set forth in this Agreement, the City shall comply with and carry out all of the provisions related to the Insurance Policies as set forth in Appendix C hereto, which provisions shall govern so long as any of the Bonds are Outstanding. Additionally, to the extent the provisions related to the Insurance Policies as set forth in Appendix C and Appendix D to the Indenture set forth obligations of the City, the City shall comply with and carry out all of such provisions.

**Section 5.15. Payment of 6% In-Lieu Franchise Tax .** The City covenants and agrees for the benefit of the Bondholders [and the Insurer] that so long as any Bonds are Outstanding, the 6% in-lieu franchise tax payable to the General Fund of the City pursuant to Resolution No. 94-4 adopted by the City Council of the City on August 4, 1993, or any successor thereto, shall be payable by the Electric System to the General Fund on a basis that is subordinate to the payment of debt service on the Bonds and replenishment of any reserve fund (or payment to any reserve insurer of any amounts owed in connection with any draw on any reserve fund insurance policies) established for any Bonds.

## ARTICLE VI

### EVENTS OF DEFAULT

**Section 6.1. Events of Default Defined.** The following events constitute Events of Default hereunder:

(a) Failure by the City to pay any Installment Payment when due and payable hereunder.

(b) Failure by the City to pay any Additional Payment when due and payable hereunder, and the continuation of such failure for a period of 60 days.

(c) Failure by the City to observe and perform any of the other covenants, agreements or conditions on its part contained in this Agreement or in the Indenture, other than as referred to in the preceding clauses (a) or (b), if such failure has continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the City by the Authority or the Trustee; *provided, however*, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 60-day period, such failure shall not constitute an Event of Default if the City institutes corrective action within such 60-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 of an event of default under and as defined in any Parity Debt Documents.

**Section 6.2. Remedies on Default.** If an Event of Default occurs and is continuing, the Trustee as assignee of the Authority has the right, at its option and without any further demand or notice, to take any one or more of the following actions:

(a) Declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the Overdue Rate from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable. Notwithstanding the foregoing provisions of this subsection, however, if, at any time after the principal components of the unpaid Installment Payments have been so declared due and payable under this subsection, and before any judgment or decree for the payment of the moneys due have been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment Payments, with interest on such overdue principal and interest components calculated at the Overdue Rate, and the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and any and all other defaults known to the Trustee (other than in the payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) have been made good, then, and in every such case, the Trustee shall 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. As provided in Section 6.6, the Trustee shall be required to exercise the remedies provided herein in accordance with the Indenture.

(b) Take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of this Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under this Agreement.

(c) As a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Bond Owners hereunder, cause the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged hereunder, with such powers as the court making such appointment may confer.

**Section 6.3. No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article, it is not necessary to give any notice, other than such notice as may be required in this Article or by law.

**Section 6.4. Agreement to Pay Attorneys' Fees and Expenses.** If either party to this Agreement defaults under any of the provisions hereof and the non-defaulting party, the Trustee or the Owner of any Bonds employs attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the non-defaulting party, the Trustee or such Owner, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred. The provisions of this Section will survive the expiration of the Term of this Agreement.

**Section 6.5. No Additional Waiver Implied by One Waiver.** If any agreement contained in this Agreement is breached by either party and thereafter waived by the other party, the waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

**Section 6.6. Trustee and Bond Owners to Exercise Rights.** Such rights and remedies as are given to the Authority under this Article have been assigned by the Authority to the Trustee under the Indenture, to which assignment the City hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture.

## ARTICLE VII

### PREPAYMENT OF 2022 INSTALLMENT PAYMENTS

**Section 7.1. Security Deposit.** Notwithstanding any other provision hereof, the City may on any date secure the payment of 2022 Installment Payments, in whole or in part, by irrevocably depositing with the Trustee an amount of cash which, together with other available amounts (not including amounts receivable under a forward supply contract, if any), is either (a) sufficient to pay all such 2022 Installment Payments, including the principal and interest components thereof, when due under Section 4.4(a), or (b) invested in whole or in part in non-callable Federal Securities in such amount as will, in the report of an Independent Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such 2022 Installment Payments when due under Section 4.4(a) or when due on any optional prepayment date under Section 7.2, as the City instructs at the time of said deposit. If the City makes a security deposit under this Section for the payment of all remaining 2022 Installment Payments and all Policy Costs owing to the Insurer (as those terms are defined in the Indenture), all obligations of the City hereunder, and the pledge of Net Revenues and all other security provided by this Agreement for the 2022 Installment Payments, will cease and terminate, excepting only the obligation of the City to make, or cause to be made, all 2022 Installment Payments from such security deposit. A security deposit constitutes a special fund for the payment of such 2022 Installment Payments in accordance with the provisions hereof.

**Section 7.2. Optional Prepayment.** The City may exercise its option to prepay the principal components of the 2022 Installment Payments in whole or in part on any date on which the 2022 Bonds may be optionally prepaid. Such option shall be exercised by payment of a prepayment price equal to the sum of (a) the aggregate principal components of the 2022 Installment Payments to be prepaid, plus (b) the interest component of the 2022 Installment Payment required to be paid on or accrued to such date. Such prepayment price shall be deposited by the Trustee in the Bond Fund to be applied to the redemption of the Bonds under Section 4.01(a) of the Indenture. If the City prepays the 2022 Installment Payments in part but not in whole, the principal components shall be prepaid among such maturities and in such integral multiples of \$5,000 as the City designates in written notice to the Trustee.

**Section 7.3. Special Mandatory Prepayment.** The 2022 Installment Payments are subject to prepayment in whole or in part on any date from the proceeds of eminent domain award or proceeds of sale under Section 5.2, or from the proceeds of any insurance award under Section 5.3, at a prepayment price equal to the sum of (a) the aggregate principal components of the 2022 Installment Payments to be prepaid, plus (b) the interest component of the 2022 Installment Payment required to be paid on or accrued to such date. Such prepayment price shall be deposited by the Trustee in the Bond Fund to be applied to the redemption of Bonds under Section 4.01(c) of the Indenture. If the City prepays the 2022 Installment Payments in part but not in whole, the principal components shall be prepaid among such maturities and in such integral multiples of \$5,000 as the City designates in written notice to the Trustee.

**Section 7.4. Credit for Amounts on Deposit.** If the City prepays the 2022 Installment Payments in full under this Article, such that the Indenture is discharged by its terms as a result of such prepayment, and upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts then on deposit in the funds and

accounts established under the Indenture shall be credited towards the amounts then required to be so prepaid.

## ARTICLE VIII

### MISCELLANEOUS

**Section 8.1. Further Assurances.** The City agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Trustee to carry out the intention or to facilitate the performance of this Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

**Section 8.2. Notices.** All notices or communications to be given under this Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) 48 hours after deposit in the United States mail, postage prepaid, or (b) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the City:	City of Ukiah 300 Seminary Avenue Ukiah, CA 95482 Attention: City Manager
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If to the Authority:	Ukiah Public Financing Authority 300 Seminary Avenue Ukiah, CA 95482 Attention: Executive Director
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**Section 8.3. Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of California.

**Section 8.4. Binding Effect.** This Agreement inures to the benefit of and is binding upon the Authority, the City and their respective successors and assigns, subject, however, to the limitations contained herein.

**Section 8.5. Severability of Invalid Provisions.** If any one or more of the provisions contained in this Agreement are for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in this Agreement and such invalidity, illegality or unenforceability will not affect any other provision of this Agreement, and this Agreement will be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the City each hereby declares that it would have entered into this Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Agreement may be held illegal, invalid or unenforceable.

**Section 8.6. Article and Section Headings and References.** The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and do not affect the meaning, construction or effect of this Agreement. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

**Section 8.7. Payment on Non-Business Days.** Whenever any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the immediate preceding Business Day.

**Section 8.8. Execution of Counterparts.** This Agreement may be executed in any number of counterparts, each of which for all purposes is deemed to be an original and all of which shall together constitute but one and the same instrument.

**Section 8.9. Waiver of Personal Liability.** No member of the City Council, officer, agent or employee of the City has any individual or personal liability for the payment of Installment Payments or Additional Payments or be subject to any personal liability or accountability by reason of this Agreement; but nothing herein contained shall relieve any such member of the City Council, officer, agent or employee from the performance of any official duty provided by law or by this Agreement.

**Section 8.10. Trustee as Third Party Beneficiary.** The Trustee is hereby made a third party beneficiary hereof and shall be entitled to the benefits of this Agreement with the same force and effect as if the Trustee were a party hereto.

[Signature Page Follows]

IN WITNESS WHEREOF, the Authority and the City have caused this Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

**UKIAH PUBLIC FINANCING  
AUTHORITY, as Seller**

By: \_\_\_\_\_  
Sage Sangiacomo  
Executive Director

ATTEST:

By: \_\_\_\_\_  
Kristine Lawler  
Secretary

**CITY OF UKIAH, as Purchaser**

By: \_\_\_\_\_  
Sage Sangiacomo  
City Manager

ATTEST:

By: \_\_\_\_\_  
Kristine Lawler  
City Clerk

**APPENDIX A**  
**SCHEDULE OF 2022 INSTALLMENT PAYMENTS**

<b>Installment Payment Date*</b>	<b>Principal Component</b>	<b>Interest Component</b>	<b>Total Payment</b>	<b>Total Annual Payment</b>
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\* Installment Payment Dates are the 6th Business Day immediately preceding each Interest Payment Date shown in the table.

**APPENDIX B**

**DESCRIPTION OF 2022 PROJECT**

The 2022 Project consists of the following improvements to the Electric System, subject to the right of the City to modify this list as provided in Section 3.5:

- [ ]
- [ ]

Fund not used for the above-described 2022 Project may be expended for other improvements to the Electric System.

## **APPENDIX C**

### **PROVISIONS RELATED TO THE INSURANCE POLICIES**

Notwithstanding anything to the contrary in this Installment Sale Agreement, the following provisions shall govern with respect to the Insurance Policies; provided that the City shall be obligated to pay amounts owed in connection with a draw on the Insurance Policy (including Insurer Advances) solely from the Net Revenues of the Electric System and no other sources:

[To come, if applicable]

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# INDENTURE OF TRUST

Dated as of March 1, 2022

between the

**UKIAH PUBLIC FINANCING AUTHORITY**

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,**  
*as Trustee*

**Authorizing the issuance of:**

\$ \_\_\_\_\_  
**Ukiah Public Financing Authority**  
**Electric Revenue Bonds, Series 2022**

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## INDENTURE OF TRUST

This INDENTURE OF TRUST (this “Indenture”), dated for convenience as of March 1, 2022, is between the UKIAH PUBLIC FINANCING AUTHORITY, a joint powers agency duly organized and existing under laws of the State of California (the “Authority”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, with a corporate trust office in San Francisco, California, being qualified to accept and administer the trusts hereby created (the “Trustee”).

### BACKGROUND:

1. The Authority is a joint powers authority duly organized and existing under the Constitution and laws of the State of California.

2. Under Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Bond Law”) the Authority is authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of or for the purpose of making loans to, and to provide financing for public capital improvement of public entities, including the City.

3. The City owns and operates facilities and property for the generation, transmission and distribution of electricity within the service area of the City (as more specifically defined herein, the “Electric System”), and the City wishes to provide funds for the acquisition, construction and installation of certain improvements to the Electric System (as more specifically defined herein, collectively, the “Projects”).

4. In order to provide financing for the Projects, the City has requested the Authority to issue its Electric Revenue Bonds, Series 2022 in the aggregate principal amount of \$ \_\_\_\_\_ (the “2022 Bonds”) under this Indenture and the Bond Law.

5. In order to provide revenues for the payment of debt service on the 2022 Bonds and any Additional Bonds that may be issued in the future (together, the “Bonds”), the Authority and the City have entered into an Installment Sale Agreement, dated as of March 1, 2022 (the “Installment Sale Agreement”), under which the Authority agrees to issue the Bonds and thereby provide funds to finance the Projects, and the Authority further agrees to sell the completed Projects to the City in consideration of the agreement by the City to pay semiannual installment payments (the “Installment Payments”) as the purchase price thereof.

6. The Installment Payments are payable from, and are secured by a pledge of and lien on, the Net Revenues of the Electric System.

7. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which Bonds are to be issued and to secure the payment of the principal thereof and interest thereon, the Authority has authorized the execution and delivery of this Indenture.

8. [The scheduled payment of principal of and interest on the 2022 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2022 Bonds by \_\_\_\_\_ (“\_\_\_\_\_” or the “2022 Bonds Insurer”).]

9. The Authority has found and determines, and hereby affirms, that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized.

## A G R E E M E N T :

In order to secure the payment of the principal of and the interest on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Authority and the Trustee do hereby covenant and agree with one another, for the benefit of the respective Owners from time to time of the Bonds, as follows:

## ARTICLE I

### DEFINITIONS; RULES OF CONSTRUCTION

**Section 1.01. Definitions.** Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in that Appendix when used in this Indenture. Capitalized terms in this Indenture and not otherwise defined herein have the respective meanings given them in Section 1.1 of the Installment Sale Agreement.

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

**Section 1.03. Interpretation.**

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to 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 shall 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 Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

## ARTICLE II

### THE 2022 BONDS

**Section 2.01. Authorization of 2022 Bonds.** The Authority 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 2022 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now duly empowered, under each and every requirement of law, to issue the 2022 Bonds in the manner and form provided in this Indenture.

The Authority hereby authorizes 2022 Bonds under the Bond Law for the purposes of providing funds to finance the costs of acquisition, construction and improvement of the Projects. The 2022 Bonds shall be designated the "Ukiah Public Financing Authority Electric Revenue Bonds, Series 2022," and shall be issued in the aggregate principal amount of \$\_\_\_\_\_.

**Section 2.02. Terms of the 2022 Bonds.** The 2022 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no 2022 Bond has more than one maturity date. The 2022 Bonds shall mature on March 1 in each of the years and in the amounts, and bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

<u>Maturity Date</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity Date</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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T: 2022 Term Bonds

Interest on the 2022 Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof unless:

- (i) a 2022 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,
- (ii) a 2022 Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (iii) interest on any 2022 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 2022 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below.

Interest on any 2022 Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such 2022 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 Trustee, notice of which is given to such Owner by first-class mail not less than 10 days prior to such special record date.

The Trustee will pay interest on the 2022 Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2022 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 2022 Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such 2022 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 Trustee will pay principal of the 2022 Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

### **Section 2.03. Transfer and Exchange of Bonds.**

(a) Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under this Section.

Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount.

The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series,

interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds under this subsection (b). The Authority shall pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

(c) Limitations. The Trustee may refuse to transfer or exchange, under the provisions of this Section, any Bonds selected by the Trustee for redemption under Article IV, or any Bonds during the period established by the Trustee for the selection of Bonds for redemption.

#### **Section 2.04. Book-Entry Only System.**

(a) Original Delivery. The Bonds will be initially delivered in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the Trustee shall register the ownership of each Bond on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, the Authority and the Trustee has no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the Authority and the Trustee has no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed if the Authority elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Registration Books, of any amount with respect to principal or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal of and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest on the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the Authority to make payments of principal and interest under this Indenture. Upon delivery by the Depository to the Authority of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Authority shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry only system, the Authority shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to

persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Authority may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry only program.

(c) Transfers Outside Book-Entry Only System. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the Authority determines to terminate the Depository as such, then the Authority shall thereupon discontinue the book-entry only system with such Depository. In such event, the Depository shall cooperate with the Authority and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Authority fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

If the Authority determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Authority may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Authority will execute and the Trustee shall authenticate, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Authority shall cooperate with the Depository in taking appropriate action (y) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (z) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the Authority's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the representation letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

**Section 2.05. Registration Books.** The Trustee shall keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall upon reasonable notice as agreed to by the Trustee, be open to inspection during regular business hours with reasonable notice by the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

**Section 2.06. Form and Execution of Bonds.** The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Director of the Authority shall execute, and the Secretary (or Deputy Secretary) of the Authority 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 Authority by such persons as at the actual date of the execution of such Bond are the proper officers of the Authority, duly authorized to execute debt instruments on behalf of the Authority, although on the date of such Bond any such person was not an officer of the Authority.

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

**Section 2.07. Bonds Mutilated, Lost, Destroyed or Stolen.** If any Bond is mutilated, the Authority, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to, or upon the order of, the Authority. If any Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory and if indemnity satisfactory to the Trustee is given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

Notwithstanding any other provision of this Section, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

### ARTICLE III

#### ISSUANCE OF 2022 BONDS; APPLICATION OF PROCEEDS

**Section 3.01. Issuance of the 2022 Bonds.** At any time after the execution of this Indenture, the Authority may execute and the Trustee shall authenticate and, upon the Written Request of the Authority, deliver 2022 Bonds to the Original Purchaser.

**Section 3.02. Application of Proceeds of Sale of 2022 Bonds.** Upon the receipt of payment for the 2022 Bonds on the Closing Date in the amount of \$\_\_\_\_\_, the Trustee

shall deposit the proceeds thereof into a temporary account called the Proceeds Fund which the Trustee shall establish, maintain and hold in trust, and which shall be disbursed in full on the Closing Date (whereupon said temporary account shall be closed) as follows:

- (a) The Trustee shall deposit the amount of \$\_\_\_\_\_ into the Costs of Issuance Fund, to be applied to pay the Costs of Issuance for the 2022 Bonds.
- (b) The Trustee shall deposit the amount of \$\_\_\_\_\_, constituting the remainder of such proceeds, in the Project Fund.

[In addition, the Trustee shall deposit the 2022 Reserve Policy in the 2022 Bonds Reserve Account.]

**Section 3.03. Establishment and Application of Costs of Issuance Fund.** The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Costs of Issuance Fund” into which the Trustee shall deposit a portion of the proceeds of sale of the 2022 Bonds under Section 3.02(a). The Trustee shall disburse amounts in the Costs of Issuance Fund from time to time to pay the Costs of Issuance of the Bonds upon submission of a Written Requisition of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the Costs of Issuance Fund. The Trustee may conclusively rely on the representations set forth in such Written Requisitions and shall be fully protected in relying thereon. On May 1, 2022, or upon the earlier Written Request of the Authority, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the Project Fund and shall thereupon close the Costs of Issuance Fund.

**Section 3.04. Project Fund.** The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Project Fund” into which the Trustee shall deposit a portion of the proceeds of sale of the 2022 Bonds under Section 3.02(b). The Trustee shall disburse amounts in the Project Fund from time to time to pay Project Costs upon submission of a Written Requisition of the City in substantially the form attached hereto as Appendix C. Each such Written Requisition of the City shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

Upon the determination by the City that the Projects have been completed and that no further amounts are required to be disbursed from the Project Fund to pay Project Costs, the City shall file a Written Certificate with the Trustee to that effect in accordance with Section 3.6 of the Installment Sale Agreement. Upon receipt of such Written Certificate, the Trustee shall withdraw all amounts remaining on deposit in the Project Fund and deposit such amounts in the Interest Account, to be applied as a credit towards the Installment Payments next coming due and payable and shall thereupon close the Project Fund.

**Section 3.05. Reserve Fund and Accounts Therein.** [The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Reserve Fund,” and within the Reserve Fund a reserve account for each series of Bonds secured thereby, for the benefit of the Owners of the applicable series of Bonds; provided, that nothing in this Section 3.05 shall require reserve accounts for future series of Bonds.]

[On the Closing Date for the 2022 Bonds, the Trustee shall establish the “2022 Bonds Reserve Account,” in trust as a reserve for the payment of the principal of, interest, and

premium, if any, on the 2022 Bonds. The 2022 Bonds Reserve Account shall be funded at the closing of the 2022 Bonds in the amount of the 2022 Bonds Reserve Requirement with the deposit of the 2022 Bonds Reserve Policy, and the Authority shall have no obligation to replace the 2022 Bonds Reserve Policy, or, other than payment to the Insurer for draws on the 2022 Reserve Policy, to fund the 2022 Bonds Reserve Account with cash or any other security if, at any time that the 2022 Bonds are Outstanding, amounts are not available under 2022 Bonds Reserve Policy, there is a rating downgrade of the 2022 Bonds Insurer or for any other reason.]

[The amounts available under the 2022 Bonds Reserve Policy will be used and withdrawn by the Trustee solely for the purpose of making transfers to the Bond Fund in the event of any deficiency at any time in such account for the purpose of paying scheduled principal and interest on the of 2022 Bonds. The Trustee will comply with all documentation relating to the 2022 Bonds Reserve Policy as required to maintain the 2022 Bonds Reserve Policy in full force and effect and as required to receive payments thereunder if and to the extent required to make any payment when and as required, including as set forth in Appendix E.]

**Section 3.06. Validity of Bonds.** The recital contained in the Bonds that the same are issued under the laws of the State of California shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

## ARTICLE IV

### REDEMPTION OF BONDS

#### **Section 4.01. Terms of Redemption of 2022 Bonds.**

(a) Optional Redemption. The 2022 Bonds maturing on or before March 1, \_\_\_\_, are not subject to optional redemption prior to their respective stated maturity dates. The 2022 Bonds maturing on or after March 1, \_\_\_\_ are subject to redemption in whole, or in part at the Written Request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after March 1, \_\_\_\_, from any available source of funds, at a redemption price equal to 100% of the principal amount of the 2022 Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

The Authority shall give the Trustee written notice of its intention to redeem 2022 2022 Bonds under this subsection (a), and the manner of selecting such 2022 Bonds for redemption from among the maturities thereof, at least 45 days prior to the redemption date.

(b) Mandatory Sinking Fund Redemption. The 2022 Term Bonds are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on March 1 in the respective years as set forth in the following tables; *provided, however,* that if some but not all of the 2022 Term Bonds have been redeemed under subsections (a) or (c) of this Section, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the 2022 Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Authority to the Trustee).

**2022 Term Bonds Maturing March 1, \_\_\_\_**

Sinking Fund  
Redemption Date  
(March 1)

Principal  
Amount To Be  
Redeemed

**2022 Term Bonds Maturing March 1, \_\_\_\_**

Sinking Fund  
Redemption Date  
(March 1)

Principal  
Amount To Be  
Redeemed

(c) Special Mandatory Redemption From Insurance and Sale Proceeds. The 2022 Bonds are also subject to redemption as a whole or in part, on any date, from and to the extent of the proceeds of disposition of Electric System properties or the proceeds of hazard insurance not used to repair or rebuild the Electric System, which proceeds are required to be used for such purpose under Section 7.3 of the Installment Sale Agreement, at a redemption price equal to the principal amount of the 2022 Bonds plus interest accrued thereon to the date fixed for redemption, without premium.

The Authority shall give the Trustee written notice of its intention to redeem 2022 Bonds under this subsection (c), and the manner of selecting such 2022 Bonds for redemption from among the maturities and series thereof, at least 45 days prior to the redemption date.

**Section 4.02. Selection of Bonds for Redemption.** Whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a single series or maturity, the Trustee shall select the Bonds of that series and maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

**Section 4.03. Notice of Redemption; Rescission.** The Trustee shall mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Municipal Securities Rulemaking Board. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the series of Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are

called for redemption) Bond series and numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

The Authority has the right to rescind any notice of optional redemption of Bonds under Section 4.01(a) by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under this Section.

In lieu of redemption of Bonds as provided above, amounts held by the Trustee for such redemption may be applied by the Trustee to the purchase of Bonds at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) at the direction of the Authority or the City received by the Trustee at least 75 days prior to the selection of the Bonds for redemption, but such purchase price must not exceed the redemption price that would be payable if such Bonds were redeemed.

**Section 4.04. Partial Redemption of Bonds.** Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations and of the same series, equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

**Section 4.05. Effect of Redemption.** Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed under the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

## ARTICLE V

### REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

#### **Section 5.01. Security for the Bonds; Bond Fund.**

(a) Pledge of Revenues and Other Amounts. Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and all amounts (including proceeds of the sale of the Bonds) held in any fund or account established under this Indenture and held by the Trustee are hereby pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of this Indenture, including payment of any Insurer Reimbursement Amounts (as defined in Appendix D) and payment of any Policy Costs (as defined in Appendix E). Said pledge constitutes a lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

(b) Assignment to Trustee. The Authority hereby irrevocably transfers, assigns and sets over to the Trustee, without recourse to the Authority, all of its rights in the Installment Sale Agreement (excepting only the Authority's rights under Sections 4.7 and 6.4 thereof), including but not limited to all of the Authority's rights to receive and collect all of the Installment Payments. The Trustee shall be entitled to collect and receive all of the Installment Payments, and any Installment Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee is also entitled to and shall, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Installment Sale Agreement.

(c) Deposit of Revenues in Bond Fund. All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required hereunder or under the Installment Sale Agreement to be deposited in the Redemption Fund shall be promptly deposited in such fund. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the Bonds or provision therefor under Article X, (ii) payment of amounts due to any Insurer, and (iii) any applicable fees and expenses to the Trustee, shall be withdrawn by the Trustee and remitted to the City.

**Section 5.02. Allocation of Revenues.** On or before the 6th Business Day preceding each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts and fund, the following amounts in the following order of priority:

(a) Deposit to Interest Account. The Trustee shall deposit in the Interest Account (which the Trustee shall establish and maintain within the Bond Fund) an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming

due and payable on such Interest Payment Date on all Bonds then Outstanding.

- (b) Deposit to Principal Account. The Trustee shall deposit in the Principal Account (which the Trustee shall establish and maintain within the Bond Fund) an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, including the principal amount of Term Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date under Section 4.01(b).
- (c) Deposit to Accounts within Reserve Fund. The Trustee shall deposit into the accounts within the Reserve Fund amount(s) which are needed to replenish the amounts therein to the applicable reserve requirement therefor or pay amounts due to any insurer with respect to any Qualified Reserve Fund Credit Instrument, including to pay Policy Costs due to any Insurer.

**Section 5.03. Interest Account.** All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it comes due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

**Section 5.04. Principal Account.** All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates, and the principal amount of Term Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date under Section 4.01(b).

**Section 5.05. Application of Redemption Fund.** Upon the determination by the Authority to redeem any Bonds under Section 4.01(a) or Section 4.01(c), the Trustee shall establish and maintain the Redemption Fund, into which the Trustee shall deposit a portion of the Revenues received, in accordance with a Written Request of the Authority. Amounts on deposit in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds to be redeemed under Section 4.01(a) or Section 4.01(c), as the case may be. At any time prior to the selection of Bonds for redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds. The Trustee is entitled to conclusively rely on any Written Request of the Authority received under this Section, and is fully protected in relying thereon.

**Section 5.06. Investments.** All moneys in any of the funds or accounts established with the Trustee under this Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority under a Written Request of the Authority filed with the Trustee at least two Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in Permitted Investments which constitute money market funds; *provided, however,* that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written request of the Authority specifying a specific money market fund and, if no such written request of the

Authority is so received, the Trustee shall hold such moneys uninvested. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent Permitted Investments are registrable, such Permitted Investments must be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder with the Trustee shall be deposited in the Bond Fund. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made under this Section.

The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or is dealing as a principal for its own account.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority waives receipt of such confirmations to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker. The Trustee will furnish the Authority a periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder. Upon the Authority's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request.

#### **Section 5.07. Valuation and Disposition of Investments.**

(a) Except as otherwise provided in subsection (b) of this Section, the Authority covenants that all investments of amounts deposited in any fund or account created by or under this Indenture, 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 at the Fair Market Value thereof as such term is defined in subsection (d) below. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Authority in any Written Request of the Authority.

(b) 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); provided that the Authority shall inform the Trustee which funds are subject to a yield restriction.

(c) Except as provided in the preceding subsection (b), for the purpose of determining the amount in any fund or account established hereunder, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least annually on or before September 15. The Trustee may sell or present for redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required

payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

(d) 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.

(e) To the extent of any valuations made by the Trustee hereunder, the Trustee may utilize and conclusively rely upon computerized securities pricing services that may be available to it, including those available through its regular accounting system with respect to the Bonds.

## ARTICLE VI

### COVENANTS OF THE AUTHORITY

**Section 6.01. Punctual Payment.** The Authority shall punctually pay or cause to be paid the principal of and interest on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of the Revenues and other amounts pledged for such payment as provided in this Indenture.

**Section 6.02. Extension of Payment of Bonds.** The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which have not been so extended.

**Section 6.03. Against Encumbrances.** The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

**Section 6.04. Power to Issue Bonds and Make Pledge and Assignment.** The Authority is duly authorized under law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other amounts purported to be pledged and assigned,

respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

**Section 6.05. Accounting Records.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds and all funds and accounts established under this Indenture. The Trustee shall make such books of record and account available for inspection by the Authority and the City, during business hours, upon reasonable notice, and under reasonable circumstances.

**Section 6.06. Additional Obligations Payable from Revenues.** The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part, except as set forth in Section 9.01(b)(v) and Section 5.7 of the Installment Sale Agreement.

**Section 6.07. Tax Covenants.** The following covenants apply to Bonds for which interest is intended to be excluded from income under the Tax Code:

(a) Private Business Use Limitation. The Authority shall assure that the proceeds of the Bonds are not used in a manner which would cause the Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Authority 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.

(c) No Arbitrage. The Authority shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds or of any other obligations 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(a) of the Tax Code.

(d) Maintenance of Tax Exemption. The Authority shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

(e) Rebate of Excess Investment Earnings to United States. The Authority shall calculate or cause to be calculated all amounts of Excess Investment Earnings 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 Authority 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 amounts provided by the City for that purpose under Section 5.11(e) of the

Installment Sale Agreement. The Authority 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).

**Section 6.08. Enforcement of Installment Sale Agreement.** The Trustee shall promptly collect all amounts (to the extent any such amounts are available for collection) due from the City under the Installment Sale Agreement. Subject to the provisions of Article VIII, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the City under the Installment Sale Agreement.

**Section 6.09. Waiver of Laws.** The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

**Section 6.10. Further Assurances.** The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

**Section 6.11. Maintenance of Existence.** The Authority shall maintain its existence as a joint exercise of powers agency while any Bonds are Outstanding.

**[Section 6.12. Covenants and Agreements Related to the Insurance Policies].**  
[Notwithstanding anything to the contrary set forth in this Indenture, the Authority shall comply with and carry out all of the provisions related to the Insurance Policy as set forth in Appendix D hereto and the Reserve Policy as set forth in Appendix E hereto, which provisions shall govern so long as any of the 2022 Bonds are Outstanding.]

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES

**Section 7.01. Events of Default.** The following events constitute Events 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) Subject to clause (e) of Appendix D, failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for

a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the Authority by the Trustee; *provided, however*, if in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 60-day period, such failure shall not constitute an Event of Default if the Authority institutes corrective action within such 60-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.

- (d) The commencement by the Authority of 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 Installment Sale Agreement.

**Section 7.02. Remedies Upon Event of Default.** If any Event of Default occurs, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding shall, in each case, upon receipt of indemnification satisfactory to the Trustee against the costs, expenses and liabilities to be incurred by the Trustee in connection with such action, upon notice in writing to the Authority, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority deposits with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its legal counsel, agents and advisors, including the allocated costs of internal attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, 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 Authority, the City and the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

**Section 7.03. Application of Revenues and Other Funds After Default.** If an Event of Default occurs and is continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee in the following order of priority:

- (a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its legal counsel including outside counsel and the allocated costs of internal attorneys, agents and

advisors) incurred in and about the performance of its powers and duties under this Indenture;

- (b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, as follows:

*First:* To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

*Second:* To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference

**Section 7.04. Trustee to Represent Bond Owners.** The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture and applicable provisions of any law. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

**Section 7.05. Limitation on Bond Owners' Right to Sue.** Notwithstanding any other provision hereof, no Owner of any Bonds has the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Installment Sale Agreement or any other applicable law with respect to such Bonds, unless (a) such Owner has given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Installment Sale Agreement or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

**Section 7.06. Absolute Obligation of Authority.** Nothing in this Section or in any other provision of this Indenture or in the Bonds affects or impairs the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon acceleration or call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

**Section 7.07. Termination of Proceedings.** In case any proceedings taken by the Trustee or by any one or more Bond Owners on account of any Event of Default have been discontinued or abandoned for any reason or have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

**Section 7.08. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trustee or the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

**Section 7.09. No Waiver of Default.** No delay or omission of the Trustee or any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or the Bond Owners.

**Section 7.10. Notice to Bond Owners of Default.** Upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall promptly give written notice thereof by first class mail, postage prepaid, to the Owner of each Outstanding Bond, unless such Event of Default has been cured before the giving of such notice; *provided, however* that except in the case of an Event of Default described in Sections 7.01(a) or 7.01(b), the Trustee may elect not to give such notice to the Bond Owners if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

## ARTICLE VIII

### THE TRUSTEE

**Section 8.01. Appointment of Trustee.** The Bank of New York Mellon Trust Company, N.A. is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority will maintain a Trustee which is qualified under the provisions of the foregoing provisions of this Article VIII so long as any Bonds are Outstanding.

**Section 8.02. Acceptance of Trusts; Removal and Resignation of Trustee.** The Trustee hereby accepts the express trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

- (a) The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture and no implied duties or covenants shall be read into this Indenture against the Trustee. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's-own affairs.
- (b) The Authority may remove the Trustee at any time, unless an Event of Default has occurred and is then continuing, and shall remove the Trustee (i) if at any time requested to do so by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (ii) if at any time the Trustee ceases to be eligible in accordance with subsection(e) of this Section, or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property is appointed, or any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. Any such removal shall be made upon at least 30 days' prior written notice to the Trustee.
- (c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and the City, and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books.
- (d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. In the event of the removal or resignation of the Trustee under subsections (b) or (d), respectively, the Authority shall promptly appoint a successor Trustee.

If no successor Trustee has been appointed and accepted appointment within 45 days of giving notice of removal or notice of resignation as

aforesaid, the resigning Trustee may petition, at the expense of the Authority, any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture, must signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and after payment by the Authority of all unpaid fees and expenses of the predecessor Trustee, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein. At the Written Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall promptly mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

- (e) Any Trustee appointed under this Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, shall be authorized under such laws to exercise corporate trust powers, shall have (or, in the case of a corporation or association that is a member of a bank holding company system, the related bank holding company has) a combined capital and surplus of at least \$50,000,000, and shall be subject to supervision or examination by a federal or state agency, so long as any Bonds are Outstanding. If such corporation or association publishes a report of condition at least annually under law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection (e), the combined capital and surplus of such corporation or association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If the Trustee at any time ceases to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign in the manner and with the effect specified in this Section.
- (f) Notwithstanding any other provision of this Indenture, the Trustee may be removed at any time for any breach of the trust set forth herein.

**Section 8.03. Merger or Consolidation.** Any national banking association, bank, federal savings association, or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any national banking association, bank, federal savings association, or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any national banking association, bank, federal savings association, or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such national banking association, bank, federal savings association, or trust company shall be eligible under subsection (e) of Section 8.02 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

**Section 8.04. Liability of Trustee.**

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture, the Bonds or the Installment Sale Agreement, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations of Trustee herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee is not liable for any error of judgment made by a responsible officer, unless it is proved that the Trustee was grossly negligent in ascertaining the pertinent facts.

(c) The Trustee is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture or assigned to it hereunder.

(d) The Trustee is not liable for any action taken by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until it shall have actual knowledge thereof, or a corporate trust officer shall have received written notice thereof at its Office from the City, the Authority or the Owners of at least 25% in aggregate principal amount of the Outstanding Bonds. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority or the City of any of the terms, conditions, covenants or agreements herein, under the Installment Sale Agreement or the Bonds or of any of the documents executed in connection with the Bonds, or as to the existence of a default or an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee is not

responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain or inquire as to the performance or observance by the City or the Authority of the terms, conditions, covenants or agreements set forth in the Installment Sale Agreement, other than the covenants of the City to make Installment Payments to the Trustee when due and to file with the Trustee when due, such reports and certifications as the City is required to file with the Trustee thereunder.

(f) No provision of this Indenture requires the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, receivers or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent, receiver or attorney appointed with due care by it hereunder.

(h) The Trustee has no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of the Bond Owners under this Indenture, unless such Owners have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities (including but not limited to fees and expenses of its attorneys) which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of Section 8.02(a), this Section and Section 8.05, and shall be applicable to the assignment of any rights to the Trustee hereunder.

(j) The Trustee is not accountable to anyone for the subsequent use or application of any moneys which are released or withdrawn in accordance with the provisions hereof.

(k) The Trustee makes no representation or warranty, expressed or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or the City of the Projects. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Installment Sale Agreement or this Indenture for the existence, furnishing or use of the Projects.

(l) The Trustee has no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(m) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Authority and City shall provide to the Trustee an incumbency

certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority and City whenever a person is to be added or deleted from the listing. If the Authority and City elect to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The Authority and City understand and agree that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority and City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority and City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority and City agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Authority and City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(n) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Projects, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(o) Ratings of Permitted Investments referred to herein shall be determined at the time of purchase of such Permitted Investments and without regard to rating subcategories. The Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investments, or the responsibility to validate Permitted Investments the ratings of Permitted Investments prior to the initial purchase.

(p) The Trustee may conclusively rely upon the Authority’s written instructions as to both the suitability and legality of the directed investments and such written direction shall be deemed to be a certification that such directed investments constitute Permitted Investments.

**Section 8.05. Right to Rely on Documents.** The Trustee shall be protected and shall incur no liability in acting or refraining from acting in reliance upon any notice, resolution,

request, consent, order, certificate, report, opinion, bonds or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Trustee is under no duty to make any investigation or inquiry as to any statements contained or matter referred to in any paper or document but may accept and conclusively rely upon the same as conclusive evidence of the truth and accuracy of any such statement or matter and shall be fully protected in relying thereon. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Registration Books as the absolute owners of the Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

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

**Section 8.06. Preservation and Inspection of Documents.** All documents received by the Trustee under the provisions of this Indenture shall be retained in its respective possession and in accordance with its retention policy then in effect and shall, upon reasonable notice to Trustee, be subject to the inspection of the Authority, the City and any Bond Owner, and their agents and representatives duly authorized in writing, during business hours and under reasonable conditions as agreed to by the Trustee.

**Section 8.07. Compensation and Indemnification.** The Authority shall pay to the Trustee from time to time, on demand, the compensation for all services rendered under this Indenture and also all reasonable expenses, advances (including any interest on advances), charges, legal (including outside counsel and the allocated costs of internal attorneys) and consulting fees and other disbursements, incurred in and about the performance of its powers and duties under this Indenture.

The Authority shall indemnify the Trustee, its officers, directors, employees and agents from and against any cost, loss, liability or expense whatsoever (including but not limited to fees and expenses of its attorneys) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust and this Indenture, including costs, legal fees and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder or under the Installment Sale Agreement. The rights of the Trustee and the obligations of the Authority under this Section shall survive the resignation or removal of the Trustee or the discharge of the Bonds and this Indenture and the Installment Sale Agreement.

**ARTICLE IX****MODIFICATION OR AMENDMENT HEREOF****Section 9.01. Amendments Permitted.**

(a) Amendments With Owner Consent. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by Supplemental Indenture, which the Authority and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding are filed with the Trustee. No such modification or amendment may (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding, or (iv) without its written consent thereto, modify any of the rights or obligations of the Trustee. It is not necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it is sufficient if such consent approves the substance thereof.

(b) Amendments Without Owner Consent. This Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;
- (ii) to cure any ambiguity, inconsistency or omission, or to cure or correct any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority deems necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;
- (iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute; and

- (iv) to modify, amend or supplement this Indenture in such manner as to assure that the interest on the Bonds remains excluded from gross income under the Tax Code.
- (v) to modify, amend or supplement this Indenture in such manner as to provide for the issuance of additional bonds, notes or other obligations in accordance with Section 6.06.

(c) Limitation. The Trustee is not obligated to enter into any Supplemental Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(d) Bond Counsel Opinion Requirement. Prior to the Trustee entering into any Supplemental Indenture hereunder, if requested by the Trustee, the Authority shall deliver to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

**Section 9.02. Effect of Supplemental Indenture.** Upon the execution of any Supplemental Indenture under this Article IX, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

**Section 9.03. Endorsement of Bonds; Preparation of New Bonds.** Bonds delivered after the execution of any Supplemental Indenture under this Article may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same maturity.

**Section 9.04. Amendment of Particular Bonds.** The provisions of this Article IX do not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

## ARTICLE X

### DEFEASANCE

**Section 10.01. Discharge of Indenture.** Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

- (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 the Trustee or an escrow bank, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Bonds; or
- (c) by delivering all of such Bonds to the Trustee for cancellation.

If the Authority also pays or causes to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied, subject to Section 10.02. In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority, at the expense of the Authority, all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the Authority all moneys or securities or other property held by it under this Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption. The Trustee is entitled to conclusively rely on any such Written Certificate or Written Request and, in each case, is fully protected in relying thereon.

**Section 10.02. Discharge of Liability on Bonds.** Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

Notwithstanding anything to the contrary in this Article X, in the event of defeasance of all Outstanding Bonds, such defeasance will not operate to discharge any of the following:

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

- (b) the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and
- (c) the obligations of the Authority to compensate and indemnify the Trustee under Section 8.07.

The Authority may at any time surrender to the Trustee, for cancellation by Trustee, any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

**Section 10.03. Deposit of Money or Securities with Trustee.** Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee or an escrow bank money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee or an escrow bank in the funds and accounts established under this Indenture and shall be:

- (a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds and all unpaid interest thereon to the redemption date; or
- (b) non-callable Federal Securities, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the City, the Authority and the Trustee, provide money sufficient to pay the principal of and interest on the Bonds to be paid or redeemed, as such principal and interest become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee has been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such money to the payment of such principal and interest with respect to such Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above). The Trustee shall be entitled to conclusively rely on such Written Request or opinion and shall be fully protected, in each case, in relying thereon.

**Section 10.04. Unclaimed Funds.** Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Indenture), if such moneys were so held at such date, or two years after the date of

deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall (at the cost of the Authority) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

## ARTICLE XI

### MISCELLANEOUS

**Section 11.01. Liability of Authority Limited to Revenues.** Notwithstanding anything in this Indenture or in the Bonds contained, the Authority is not required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Authority may, but is not required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

**Section 11.02. Limitation of Rights to Parties and Bond Owners.** Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City and the Owners of the Bonds.

**Section 11.03. Funds and Accounts.** Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations under this Indenture.

**Section 11.04. Waiver of Notice; Requirement of Mailed Notice.** Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Indenture any notice is required to be given by mail, such requirement may be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

**Section 11.05. Destruction of Bonds.** Whenever in this Indenture provision is made for the cancellation by the Trustee, and the delivery to the Authority, of any Bonds, the Trustee may, in lieu of such cancellation and delivery, destroy such Bonds as may be allowed by law, and the Trustee shall deliver a certificate of such destruction to the Authority.

**Section 11.06. Severability of Invalid Provisions.** If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

**Section 11.07. Notices.** All notices or communications to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) 48 hours after deposit in the United States mail, postage prepaid, or (b) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the City:	City of Ukiah 300 Seminary Avenue Ukiah, CA 95482 Attention: City Manager
If to the Authority:	Ukiah Public Financing Authority 300 Seminary Avenue Ukiah, CA 95482 Attention: Executive Director
If to the Trustee:	The Bank of New York Mellon Trust Company, N.A.  San Francisco, California 94111 Attention: Global Corporate Trust

[If to the Insurer:]

[In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the 2022 Bonds Insurer's Deputy General Counsel- Public Finance at the same address, and shall be marked to indicate "URGENT MATERIAL ENCLOSED."]

**Section 11.08. Evidence of Rights of Bond Owners.** Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

**Section 11.09. Disqualified Bonds.** In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or the City, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the City or any other obligor on the Bonds. In case of a dispute as to such right, the Trustee shall be entitled to rely upon the advice of counsel in any decision by Trustee and shall be fully protected in relying thereon.

Upon request, the Authority and the City shall specify to the Trustee those Bonds disqualified under this Section. The Trustee may conclusively rely upon such request.

**Section 11.10. Money Held for Particular Bonds.** The money held by the Trustee for the payment of the interest or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, *subject, however,* to the provisions of Section 10.04 but without any liability for interest thereon.

**Section 11.11. Waiver of Personal Liability.** No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or

interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

**Section 11.12. Successor Is Deemed Included in All References to Predecessor.** Whenever in this Indenture either the Authority, the City or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority, the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

**Section 11.13. Continuing Disclosure.** The Authority hereby covenants and agrees to undertake and comply with a continuing disclosure undertaking as it may from time to time hereafter be created, amended or supplemented. Notwithstanding any other provision of the Indenture, failure of the Authority to comply with the requirements of a continuing disclosure undertaking, as it may from time to time hereafter be amended or supplemented, will not be considered an Event of Default and the Trustee will have no right to accelerate amounts due under the Indenture as a result thereof; provided, however, that the Trustee and the Owners of not less than 25% in principal amount of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations in this Section with respect to any such continuing disclosure undertaking.

**Section 11.14. Execution in Several Counterparts.** This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

**Section 11.15. Payment on Non-Business Day.** In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and with the same effect as if made on such preceding non-Business Day.

**Section 11.16. Governing Law.** This Indenture shall be governed by and construed in accordance with the laws of the State of California.

**IN WITNESS WHEREOF**, the UKIAH PUBLIC FINANCING AUTHORITY has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**UKIAH PUBLIC FINANCING AUTHORITY**

By: \_\_\_\_\_  
Sage Sangiacomo  
Executive Director

Attest:

\_\_\_\_\_  
Kristine Lawler  
Secretary

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Trustee**

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

## APPENDIX A

### DEFINITIONS

“Additional Bonds” means bonds, notes or other obligations authorized by and at any time Outstanding under the Bond Law and this Indenture.

“Authority” means the Ukiah Public Financing Authority, a joint powers authority duly organized and existing under the Joint Exercise of Powers Agreement, dated as of May 5, 2020, by and between the City and the Industrial Development Authority of the City of Ukiah, creating the Authority, together with any amendments thereof and supplements thereto, and under the laws of the State of California.

“Authority Representative” means the Chair, Executive Director, Treasurer, Secretary, or any other person designated as an Authority Representative by a Written Certificate of the Authority signed by an Authority Representative and filed with the City and the Trustee.

“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 or the Authority 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 Fund” means the fund by that name established and held by the Trustee under Section 5.01.

“Bond Law” means the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code, as in effect on the Closing Date or as thereafter amended in accordance with its terms.

“Bond Year” means each twelve-month period extending from March 2 in one calendar year to March 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year commences on the Closing Date and extends to and including March 1, 2023.

“Bonds” means, collectively, (a) the 2022 Bonds and (b) any Additional Bonds.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the state in which the Office of the Trustee is located, and on which the Federal Reserve Bank system is not closed.

“City” means the City of Ukiah, a municipal corporation duly organized and existing under the laws of the State of California.

“City Representative” means the Mayor, City Manager, Finance Director or any other person designated as a City Representative by a Written Certificate of the City signed by a City Representative and filed with the Authority and the Trustee.

“Closing Date” means \_\_\_\_\_, 2022, being the date of delivery of the Bonds to the Original Purchaser.

“Costs of Issuance” means, with respect to each series of Bonds, 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, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; premiums for bond insurance and reserve fund insurance; fees and charges for preparation, execution and safekeeping of the Bonds; and any other cost, charge or fee in connection with the original issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee under Section 3.03.

“Depository” means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository under Section 2.04.

“Depository System Participant” means any participant in the Depository’s book-entry only system.

“DTC” means The Depository Trust Company, and its successors and assigns.

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

“Excess Investment Earnings” means, with respect to the Bonds, an amount required to be rebated to the United States of America under Section 148(f) of the Tax Code due to investment of gross proceeds of the Bonds at a yield in excess of the yield on the Bonds.

“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.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the City as its official fiscal year period.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture under the provisions hereof.

“Interest Account” means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

“Installment Payments” means all payments required to be paid by the City on any date under Section 4.4(a) of the Installment Sale Agreement (and any supplements to the Installment Sale Agreement related to additional Projects), including any amounts payable upon delinquent installments, and including any prepayment thereof under Section 7.2 of the Installment Sale Agreement (and any supplements to the Installment Sale Agreement related to additional Projects).

“Interest Payment Date” means March 1 and September 1 in each year, and continuing so long as any Bonds remain Outstanding. With respect to the 2022 Bonds, the first Interest Payment Date is September 1, 2022.

“Installment Sale Agreement” means the Installment Sale Agreement dated as of March 1, 2022, between the City and the Authority, together with any duly authorized and executed amendments or supplements thereto.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.04(a).

“Office” means the corporate trust office of the Trustee in San Francisco, California, provided that for purposes of payment, prepayment, exchange, transfer, exchange, surrender and cancellation of Bonds, such term means the corporate trust office of the Trustee in San Francisco, California, or such other or additional offices as the Trustee may designate in writing to the Authority from time to time as the corporate trust office for purposes of this Indenture.

“Original Purchaser” means RBC Capital Markets, as the original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority has been discharged in accordance with Section 10.02; (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 Trustee under this Indenture; and (d) Bonds which are required to be disregarded and not deemed Outstanding under this Indenture.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (The Trustee shall be entitled to rely upon any investment direction provided to it hereunder as a certification to the Trustee that such investment constitutes a Permitted Investment):

- (a) Federal Securities;
- (b) obligations of any federal agency which either (a) represent full faith and credit of the United States of America, or (b) are rated “AA” or better by S&P;

- (c) U.S. dollar denominated deposit accounts federal funds and banker's acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their affiliates, which have a rating on their short term certificates of deposit on the date of purchase of "A" or better by S&P, maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank or which deposits are collateralized by Federal Securities for amounts in excess of FDIC insurance;
- (d) commercial paper which is rated at the time of purchase in the single highest classification, "A" or better by S&P, and which matures not more than 270 calendar days after the date of purchase;
- (e) investments in a money market mutual fund, including those of an affiliate of the Trustee, rated in the highest short-term rating category by S&P, including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;
- (f) investment agreements with financial institutions whose long-term general credit rating is A or better from S&P, by the terms of which the Trustee may withdraw funds if such rating falls below "A"; and
- (g) the Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Principal Account" means the account by that name established and held by the Trustee in the Bond Fund under Section 5.02.

"Project Costs" means, with respect to the Projects, all costs of the acquisition, construction and installation thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

- (a) all costs required to be paid to any person under the terms of any agreement for the purchase of the Projects or otherwise relating to the acquisition, construction and installation of the Projects;
- (b) obligations incurred for labor and materials in connection with the acquisition, construction and installation of the Projects;
- (c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction and installation of the Projects;

- (d) preliminary costs of the Projects, including but not limited to design, environmental, engineering and architectural services, costs for testing, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and costs for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Projects;
- (e) costs of equipping and furnishing the Projects and costs of taking occupancy of the Projects;
- (f) any sums required to reimburse the City for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition, construction and installation of the Projects;
- (g) all financing costs incurred in connection with the acquisition, construction and installation of the Projects; and
- (h) interest on the Bonds coming due during the period of construction of the Projects and for not more than six months thereafter.

“Project Fund” means the fund by that name established and held by the Trustee under Section 3.04.

“Projects” means the property, equipment and facilities described more fully in Appendix B to the Installment Sale Agreement, as may be modified by the City in accordance with the provisions of Section 3.5 of the Installment Sale Agreement.

“Qualified Reserve Fund Credit Instrument” means [(a) the 2022 Bonds Reserve Policy and (b) ]an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee, provided that all of the following requirements are met: (i) the long-term credit rating of such bank or insurance company is rated in the top two categories (without regard to modifier) by S&P or Moody’s at the time of issuance; (ii) such letter of credit or surety bond has a term of at least 12 months; (iii) such letter of credit or surety bond has a stated amount at least equal to the portion of the reserve requirement being met by such instrument or with respect to which funds are proposed to be released pursuant to this Indenture; and (iv) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Bond Fund for the purpose of making payments required pursuant to this Indenture.

“Record Date” means, with respect to any Interest Payment Date, the 15th calendar day of the month preceding such Interest Payment Date, whether or not such day is a Business Day.

“Redemption Fund” means the fund by that name established and held by the Trustee under Section 5.05.

“Registration Books” means the records maintained by the Trustee under Section 2.05 for the registration and transfer of ownership of the Bonds.

“Reserve Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.05.

“Revenues” means: (a) all of the Installment Payments, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under this Indenture, other than the Project Fund.

“Securities Depositories” means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority designates in written notice filed with the Trustee.

“S&P” means S&P Global Ratings, its successors and assigns.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“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 proposed, temporary and final regulations promulgated, and applicable official public guidance published, under said Code.

“Term” means, when used with respect to the Installment Sale Agreement, the time during which the Installment Sale Agreement is in effect, as provided in Section 4.2 thereof.

“Term Bonds” means, as to the 2022 Bonds, the 2022 Bonds maturing on March 1, \_\_\_\_ and March 1, \_\_\_\_.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., or any successor thereto acting as Trustee hereunder.

“2022 Bonds” means the \$ \_\_\_\_\_ initial principal amount of Ukiah Public Financing Authority Electric Revenue Bonds, Series 2022 authorized by and at any time Outstanding under the Bond Law and this Indenture.

[“2022 Bonds Insurance Policy” means the insurance policy (Policy No. \_\_\_\_\_) issued by the 2022 Bonds Insurer guaranteeing the scheduled payment of principal of and interest on the 2022 Bonds when due.]

[“2022 Bonds Insurer” means \_\_\_\_\_, or any successor thereto or assignee thereof.]

[“2022 Bonds Reserve Account” means the reserve account established for the 2022 Bonds in the Reserve Fund.]

[“2022 Bonds Reserve Policy” means Municipal Bond Debt Service Reserve Insurance Policy No. \_\_\_\_\_ provided by the 2022 Bonds Insurer with respect to the 2022 Bonds for deposit into the 2022 Reserve Account.]

[“2022 Bonds Reserve Requirement” means, with respect to any 2022 Bonds, \$ \_\_\_\_\_. This amount has been calculated as the lesser of (a) Maximum Annual Debt Service on the 2022 Bonds, (b) 125% of the average annual debt service on the 2022 Bonds, and (c) 10% of the principal amount of the 2022 Bonds, and is not subject to increase or decrease.]

“Written Certificate,” “Written Request” and “Written Requisition” of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority by an Authority Representative or signed in the name of the City by a City Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

**APPENDIX B**  
**FORM OF BOND**

No. R-\_\_\_\_\_

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

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

**UKIAH PUBLIC FINANCING AUTHORITY**  
**2022 ELECTRIC REVENUE BOND**

INTEREST RATE: \_\_\_\_\_%      MATURITY DATE: March 1, \_\_\_\_\_      ORIGINAL ISSUE DATE: \_\_\_\_\_, 2022      CUSIP:

REGISTERED OWNER: CEDE &amp; CO.

PRINCIPAL AMOUNT: \*\*\* \_\_\_\_\_ DOLLARS\*\*\*

The UKIAH PUBLIC FINANCING AUTHORITY, a joint powers agency duly organized and existing under laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the 15th day of the month preceding such interest payment date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before May 15, 2022, in which event it shall bear interest from the Original Issue Date specified above; *provided, however*, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, at the Interest Rate per annum specified above, payable semiannually on March 1 and September 1 in each year, commencing September 1, 2022 (the "Interest Payment Dates"), calculated on the basis of a 360-day year composed of twelve 30-day months.

Principal hereof is payable upon presentation and surrender hereof at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), in San Francisco, California, or such other place as designated by the Trustee (the "Trust Office"). Interest hereon is payable by check of the Trustee mailed on the applicable Interest Payment Date to the Registered Owner hereof at the

Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a "Record Date"), or, upon written request filed with the Trustee as of such Record Date by a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such registered owner in such written request.

This Bond is not a debt of the City of Ukiah (the "City"), the County of Mendocino, the State of California, or any of its political subdivisions, in contravention of any constitutional or statutory debt limitation or restriction, and neither the City, said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Net Revenues.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Ukiah Public Financing Authority Electric Revenue Bonds, Series 2022 (the "Bonds"), in an aggregate principal amount of \$\_\_\_\_\_, all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued under the provisions of Article 4 of Chapter 5, Division 7, Title 1 of the Government Code of the State of California, commencing with Section 6584 of said Code (the "Bond Law"), and under an Indenture of Trust dated as of March 1, 2022, between the Authority and the Trustee (the "Indenture"). Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the security for the Bonds, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to finance improvements to the system owned and operated by the City for the generation, transmission and distribution of electricity within the service area of the City (the "Electric System"). The Bonds are special obligations of the Authority which are payable from and secured by a charge and lien on the Revenues as defined in the Indenture, consisting principally of installment payments made by the City under an Installment Sale Agreement dated as of March 1, 2022, between the Authority and the City (the "Installment Sale Agreement"). As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms of the Indenture to the payment of the principal of and interest on the Bonds and any bonds issued on a parity with the Bonds.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

The Bonds maturing on or before March 1, \_\_\_\_\_ are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or

after March 1, \_\_\_\_\_ are subject to redemption in whole, or in part at the written request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after March 1, \_\_\_\_\_, from any available source of funds, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

The Bonds are subject to redemption as a whole or in part, on any date, from and to the extent of the proceeds of disposition of Electric System properties or the proceeds of hazard insurance not used to repair or rebuild the Electric System, which proceeds are required to be used for such purpose under the Installment Sale Agreement, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, without premium.

The Bonds maturing on March 1, \_\_\_\_\_ and March 1, \_\_\_\_\_ (the "Term Bonds") are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on March 1 in the respective years as set forth in the following tables; *provided, however*, that if some but not all of such Term Bonds have been redeemed under the redemption provisions described in the preceding paragraph, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Authority to the Trustee).

**Term Bonds Maturing March 1, \_\_\_\_\_**

Sinking Fund Redemption Date ( <u>March 1</u> )	Principal Amount To Be <u>Redeemed</u>
---	--

**Term Bonds Maturing March 1, \_\_\_\_\_**

Sinking Fund Redemption Date ( <u>March 1</u> )	Principal Amount To Be <u>Redeemed</u>
---	--

As provided in the Indenture, notice of redemption will be mailed by the Trustee by first class mail not less than 20 nor more than 60 days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such

notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, 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 be exchanged at the Trust Office for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other authorized denominations.

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

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Authority or the Trustee for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

It is hereby certified by the Authority 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 Bond Law and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, 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 Indenture.

This Bond is not entitled to any benefit under the Indenture or valid or obligatory for any purpose until the certificate of authentication hereon endorsed has been manually signed by the Trustee.

IN WITNESS WHEREOF, the Ukiah Public Financing Authority has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Executive Director and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

**UKIAH PUBLIC FINANCING AUTHORITY**

By: \_\_\_\_\_  
Executive Director

Attest:

\_\_\_\_\_  
Secretary

**CERTIFICATE OF AUTHENTICATION**

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

Dated:

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Trustee**

By: \_\_\_\_\_  
Authorized Signatory

**STATEMENT OF INSURANCE**

[To come, if applicable]

**FORM OF 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 Trustee with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

\_\_\_\_\_  
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.

**APPENDIX C**

**FORM OF WRITTEN REQUISITION**

\$ \_\_\_\_\_  
**UKIAH PUBLIC FINANCING AUTHORITY**  
**Electric Revenue Bonds, Series 2022**

**WRITTEN REQUISITION NO. \_\_**  
**FOR PROJECT FUND DISBURSEMENT**

The undersigned hereby states and certifies that:

(i) I am the duly appointed, qualified and acting \_\_\_\_\_ of the City of Ukiah, a municipal corporation duly and validly existing under the laws of the State of California (the "City"), and as such, I am familiar with the facts herein certified and am authorized and qualified to certify the same;

(ii) I am a duly designated "City Representative" as such term is defined in that certain Indenture of Trust dated as of March 1, 2022 (the "Indenture"), between the Ukiah Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee");

(iii) under Section 3.04 of the Indenture, the Trustee is hereby requested to disburse this date from the Project Fund established thereunder to the payees set forth on Exhibit A attached hereto and by this reference incorporated herein, the respective sum set forth opposite each such payee, for the purposes identified therein;

(iv) each item to be paid pursuant to this Requisition has been properly incurred, is a proper charge against the Project Fund and has not been the basis of any previous disbursement;

(v) each amount to be disbursed herein is for payment of a Project Cost; and

(vi) all payments shall be made by check or wire transfer in accordance with payment instructions contained in Exhibit A or in any related invoice, and the Trustee has no duty or obligation to authenticate such payment instructions or the authorization thereof.

Capitalized terms used herein and not otherwise defined have the meanings given them in the Indenture.

Dated:

**CITY OF UKIAH**

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT A**

**PROJECT FUND DISBURSEMENTS**

<u>Payee Name and Address</u>	<u>Purpose of Obligation</u>	<u>Amount</u>
-------------------------------	------------------------------	---------------

**APPENDIX D**

**PROVISIONS RELATING TO  
2022 BONDS INSURANCE POLICY**

Notwithstanding anything to the contrary in this Indenture, the following provisions shall govern with respect to the 2022 Bonds Insurance Policy; provided that the Authority and the City shall be obligated to pay amounts owed in connection with a draw on the 2022 Bonds Insurance Policy (including Insurer Advances and interest thereon) solely from the Revenues, with respect to the Authority, and Net Revenues of the Electric System, with respect to the City, and no other sources:

[To come, if applicable]

**APPENDIX E**

**PROVISIONS RELATING TO  
2022 BONDS RESERVE POLICY**

Notwithstanding anything to the contrary in this Indenture, the following provisions shall govern with respect to the 2022 Bonds Reserve Policy; provided that the Authority shall be obligated to pay amounts owed in connection with a draw on the 2022 Bonds Reserve Policy solely from the Revenues and no other sources, and the City shall be obligated to pay amounts owed in connection with a draw on the 2022 Reserve Policy solely from the Net Revenues of the Electric System and no other sources:

[To come, if applicable]

**PRELIMINARY OFFICIAL STATEMENT DATED MARCH \_\_\_\_\_, 2022**

**NEW ISSUE - FULL BOOK-ENTRY**

**RATING[S]: S&P (Insured): “\_\_\_\_\_”**  
**S&P (Underlying): “\_\_\_\_\_”**  
**See “RATING[S]”**

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”*

\$ \_\_\_\_\_ \*  
**UKIAH PUBLIC FINANCING AUTHORITY**  
**Electric Revenue Bonds,**  
**Series 2022**

**Dated: Date of Delivery**

**Due: March 1, as shown on inside cover**

**Authority for Issuance.** The bonds captioned above (the “Bonds”) are being issued by the Ukiah Public Financing Authority (the “Authority”) under an Indenture of Trust, dated as of March 1, 2022 (the “Indenture”) between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) and pursuant a resolution adopted by the Board of Directors of the Authority.

**Use of Proceeds.** The Bonds are being issued to (i) finance improvements to the Electric System of the City, and (ii) pay certain costs incurred in connection with the issuance of the Bonds. See “FINANCING PLAN.”

**Security for the Bonds.** The Bonds are payable from and secured by “Revenues” which generally consist of (a) semiannual installment payments (the “Installment Payment”) payable by the City of Ukiah (the “City”) to the Authority pursuant to an Installment Sale Agreement, dated as of March 1, 2022 (the “Installment Sale Agreement”), between the City and the Authority, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture (other than the Project Fund). The Installment Payments are payable from and secured by a pledge of Net Revenues of the Electric System of the City, where “Net Revenues” means the Gross Revenues of the Electric System less the Operation and Maintenance Costs of the Electric System. Currently, there are no other obligations of the City payable on a parity basis from the Net Revenues of the Electric System, although the City may in the future incur additional parity obligations. See “SECURITY FOR THE BONDS.”

**Bond Terms; Book-Entry Only.** Interest on the Bonds will accrue at the rates (based on a 360-day year of twelve 30-day months) set forth on the inside cover page of this Official Statement, payable semiannually on March 1 and September 1 of each year, beginning on September 1, 2022. The Bonds will be issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”) under the book-entry-only system maintained by DTC. So long as Cede & Co. is the registered owner of the Bonds, principal of, premium, if any, and interest on the Bonds will be payable by the Trustee to DTC, which will in turn remit such payments to its participants for subsequent disbursement to beneficial owners of the Bonds, as more fully described herein. Purchasers of the Bonds will not receive physical certificates representing their interests in the Bonds. See “THE BONDS” and “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**Reserve Fund.** The Authority will establish a debt service reserve fund for the Bonds from proceeds of the Bonds, as described herein. See “SECURITY FOR THE BONDS.”

**Redemption.** The Bonds are subject to redemption prior to their stated maturities, as described herein. See “THE BONDS – Redemption Provisions.”

**[Bond Insurance.** The Authority has obtained a commitment for a municipal bond insurance policy for the Bonds and will decide whether to insure some, all, or none of the Bonds in connection with the pricing of the Bonds. If bond insurance is obtained, the insurer of the Bonds may also provide a debt service reserve fund insurance policy in the amount of the reserve requirement for the Bonds.]

NEITHER THE BONDS, NOR THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE INSTALLMENT PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

**MATURITY SCHEDULE**  
**(see inside cover)**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE BONDS.

The Bonds are offered when, as and if issued and delivered to and accepted by the Underwriter, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the City and the Authority by Jones Hall as Disclosure Counsel; for the City and the Authority by the City Attorney; and for the Underwriter by Nixon Peabody LLP, Los Angeles, California. It is anticipated that the Bonds will be delivered in book-entry form through the facilities of DTC on or about \_\_\_\_\_, 2022.



The date of this Official Statement is \_\_\_\_\_.

\* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

## MATURITY SCHEDULE\*

\$ \_\_\_\_\_ Serial Bonds  
(Base CUSIP† No. \_\_\_\_\_)

<u>Maturity Date</u> <u>(March 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u>
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\$ \_\_\_\_\_ % Term Bonds due March 1, 20 \_\_\_\_; Price: \_\_\_\_%; Yield: \_\_\_\_;  
CUSIP†: \_\_\_\_\_

\* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Authority nor the Underwriter takes any responsibility for the accuracy of such numbers.

**UKIAH PUBLIC FINANCING AUTHORITY**  
**Ukiah, California**

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**AUTHORITY BOARD / CITY COUNCIL**

Jim Brown, *Chair/Mayor*  
Josefina Dueñas, *Vice Chair/Vice Mayor*  
Douglas Crane, *Authority Member/Councilmember*  
Mari Rodin, *Authority Member/Councilmember*  
Juan Orozco, *Authority Member/Councilmember*

**CITY / AUTHORITY STAFF**

Sage Sangiacomo, *City Manager/Executive Director*  
Allen Carter, *City Treasurer*  
Daniel Buffalo, *Finance Director/Authority Treasurer*  
Mel Grandi, P.E., *Electric Utility Director*  
Tim Eriksen, *Public Works Director/City Engineer*  
Kristine Lawler, *City Clerk/Secretary*  
David Rapport, Esq., *City Attorney/Authority Counsel*

**PROFESSIONAL SERVICES**

**Bond Counsel and Disclosure Counsel**  
Jones Hall, A Professional Law Corporation  
*San Francisco, California*

**Municipal Advisor**  
NHA Advisors, LLC  
*San Rafael, California*

**Trustee**  
The Bank of New York Mellon Trust Company, N.A.  
*Los Angeles, California*

**GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT**

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement, or in the condition of the security for the Bonds since the date of this Official Statement.

This Official Statement is submitted in connection with the sale of the Bonds referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Bonds. Prospective investors should not construe the contents of this Official Statement as legal, tax or investment advice.

The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

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

All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the City in any way, regardless of the level of optimism communicated in the information. The City is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the captions "THE ELECTRIC SYSTEM," "FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY" and "BOND OWNERS' RISKS."

The references to internet websites in this Official Statement are shown for reference and convenience only; unless explicitly stated to the contrary, the information contained within the websites and any links contained within those websites are not incorporated herein by reference and do not constitute part of this Official Statement.

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[Insert Regional Location Map]

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## OFFICIAL STATEMENT

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**UKIAH PUBLIC FINANCING AUTHORITY**  
**Electric Revenue Bonds,**  
**Series 2022**

### INTRODUCTION

*This introduction contains only a brief summary of certain terms of the Bonds, and a brief overview of the contents of this Official Statement. This summary does not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the Bonds are qualified in their entirety by reference to the form of Bond included in the Indenture. Capitalized terms used but not defined herein have the meanings set forth in the Indenture. See also “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”*

**Authority for Issuance.** The Ukiah Public Financing Authority (the “**Authority**”) is issuing the bonds captioned above (the “**Bonds**”) under the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5, Division 7, Title 1 of the California Government Code (the “**Bond Law**”), a Resolution adopted by the Board of Directors of the Authority on [February 16, 2022] (the “**Authority Resolution**”), a Resolution adopted by the City Council of the City of Ukiah (the “**City**”) on [February 16, 2022] (the “**City Resolution**”), and an Indenture of Trust, dated as of March 1, 2022 (the “**Indenture**”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”).

**Purpose of the Bonds.** The Bonds are being issued to (i) finance improvements to the Electric System of the City, and (ii) pay certain costs incurred in connection with the issuance of the Bonds. See “FINANCING PLAN.”

**The Authority and the City.** The Authority is a joint powers authority established pursuant to that certain Joint Exercise of Powers Agreement dated May 5, 2020. The Authority is governed by a five-member Board of Directors (the “**Board**”), which consists of the members of the City Council of the City. The Authority was created for the purpose of assisting the financing or refinancing of certain public capital facilities within the City. Under the Bond Law, the Authority has the power to lease real property in furtherance of the acquisition of public improvements necessary or convenient for the operation of the City, or to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. See “THE AUTHORITY” herein.

The City encompasses approximately five square miles and is located in Mendocino County (the “**County**”), approximately 100 miles north of San Francisco in the northern coastal

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\* Preliminary, subject to change.

region of the State on U.S. Highway 101. The area is centrally located between the San Francisco Bay area, Eureka and Sacramento. The City was incorporated in 1876 and is a general law city operating under a City Council/City Manager form of government. The City has an estimated population of approximately 16,061 people. For additional background, and certain demographic and economic information regarding the City and the County, see APPENDIX D.

**Bond Terms; Book-Entry Only.** The Bonds will bear interest at the rates shown on the inside cover page, payable semiannually on March 1 and September 1 of each year, commencing on September 1, 2022. The Bonds will be issued in fully registered form, registered in the name of The Depository Trust Company (“DTC”), or its nominee, which will act as securities depository for the Bonds. Purchasers of the Bonds will not receive certificates representing the Bonds that are purchased. See “THE BONDS – General Provisions” and “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**Security for the Bonds.** The Bonds are payable from and secured by “Revenues” which generally consist of (i) semiannual installment payments (the “**Installment Payment**”) payable by the City to the Authority pursuant to an Installment Sale Agreement, dated as of March 1, 2022 (the “**Installment Sale Agreement**”), between the City and the Authority, and (ii) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture (other than the Project Fund). The Installment Payments are payable from and secured by a pledge of Net Revenues of the Electric System of the City (described herein), where “Net Revenues” means the Gross Revenues of the Electric System less the Operation and Maintenance Costs of the Electric System.

Pursuant to the provisions of the Indenture, the Authority will transfer in trust and assign to the Trustee, for the benefit of the Owners of the Bonds, all of its rights in the Installment Sale Agreement (except for certain of the Authority’s rights under the Installment Sale Agreement), including but not limited to all of the Authority’s rights to receive and collect all of the Installment Payments.

Currently, there are no other obligations of the City payable on a parity basis from the Net Revenues of the Electric System, although the City may in the future incur additional parity obligations. See “SECURITY FOR THE BONDS.”

**Redemption.** The Bonds are subject to redemption prior to their stated maturity dates. See “THE BONDS – Redemption.”

**[Debt Service Reserve Fund.** A debt service reserve fund is required to be maintained under the Indenture in an amount equal to the 2022 Bonds Reserve Requirement (defined herein), and will be fully funded upon issuance of the Bonds [via deposit of a reserve fund insurance policy]. See “SECURITY FOR THE BONDS – Debt Service Reserve Fund.”]

**[Bond Insurance.** The Authority has obtained a commitment for a municipal bond insurance policy for the Bonds and will decide whether to insure some, all, or none of the Bonds in connection with the pricing of the Bonds. If bond insurance is obtained, the insurer of the Bonds may also provide a debt service reserve fund insurance policy in the amount of the reserve requirement for the Bonds.]

**Rate Covenant.** Under the Installment Sale Agreement, the City covenants that it will prescribe, revise and collect rates, fees and charges for the services and facilities of the Electric System which, after allowances for contingencies and error in the estimates, shall produce Gross

Revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least [1.20] times the Debt Service coming due and payable during such Fiscal Year. See “SECURITY FOR THE BONDS – Rate Covenant.”

**Limited Obligation.** The Bonds are special, limited obligations of the Authority payable solely from and secured by the Revenues and amounts held in certain funds and accounts established under the Indenture. The issuance of the Bonds will not directly, indirectly or contingently obligate the City or the Authority to levy or pledge any form of taxation or to make any appropriation for their payment. The Bonds are not a debt of the Authority, the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

**Risks of Investment.** The purchase of the Bonds involves certain risks. For a general discussion of certain special factors and considerations relevant to an investment in the Bonds, in addition to the other matters set forth herein, see “BOND OWNERS’ RISKS” herein. The Bonds are not appropriate investments for investors who are not able to bear the associated risks. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

NEITHER THE BONDS, THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, NOR THE OBLIGATION OF THE CITY TO MAKE THE INSTALLMENT PAYMENTS, CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

**FINANCING PLAN**

**The Project**

The net proceeds of the Bonds are being used to finance approximately \$10.0 million of improvements to the Electric System, which are anticipated to consist of items included in the City’s current 5-year capital improvement plan (CIP) for the Electric System. For additional details, see “THE ELECTRIC SYSTEM – Capital Improvement Plan.”

**Estimated Sources and Uses**

The table below sets forth the estimated sources and uses of funds with respect to the Bonds.

<u>Sources:</u>	
Principal Amount of Bonds	\$
Plus/less [net] Original Issue Premium/Discount	_____
<i>TOTAL SOURCES</i>	<i>\$</i>
 <u>Uses:</u>	
Deposit to Project Fund	\$
Deposit to Reserve Fund <sup>(1)</sup>	
Costs of Issuance <sup>(2)</sup>	_____
<i>TOTAL USES</i>	<i>\$</i>

(1) Represents the initial Reserve Requirement for the Bonds.  
(2) Includes cost of preparation of documents, fees of rating agencies, initial fees of the Trustee, legal fees, fees and disbursements of consultants and professionals, Underwriter’s discount and all other costs related to the issuance of the Bonds[, including premiums for bond insurance and reserve fund insurance policies].

**DEBT SERVICE SCHEDULE**

The Bonds are payable from Revenues available under the Indenture, consisting primarily of the Installment Payments made by the City pursuant to the Installment Sale Agreement. The schedule below shows the annual debt service on the Bonds. The table below assumes the Bonds are retired as scheduled and not optionally redeemed prior to maturity.

<b>Year Ending March 1</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service<sup>(1)</sup></b>
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Totals

<sup>(1)</sup> Equal to the total Installment Payments due in each Fiscal Year.  
*Source: Underwriter.*

## THE BONDS

*The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds for the complete text thereof and to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”*

### Authority for Issuance

The Bonds are being issued under the Bond Law, the Authority Resolution, the City Resolution and the Indenture.

### General Provisions

**General.** The Bonds will be dated their date of initial delivery. Subject to the redemption provisions outlined below, the Bonds will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement.

**Interest.** Interest on each Bond will accrue at the per annum interest rates set forth on the inside cover page of this Official Statement, payable semiannually on March 1 and September 1 of each year, beginning on September 1, 2022 (each, an “**Interest Payment Date**”).

Each Bond will bear interest, calculated on the basis of a 360-day year of twelve 30-day months, from the Interest Payment Date next preceding the date of authentication thereof; unless (i) it is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event such Bonds bear interest from such Interest Payment Date; (ii) it is authenticated on or before the first Record Date, in which event such Bonds will bear interest from the date of delivery; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the outstanding Bonds. The Record Date with respect to an Interest Payment Date is the 15<sup>th</sup> day of the month immediately preceding such Interest Payment Date, whether or not such date is a Business Day.

**Principal.** The principal of the Bonds will be payable in lawful money of the United States of America upon the surrender thereof on the respective maturity date or on redemption prior thereto at the Corporate Trust Office of the Trustee.

**Denominations.** The Bonds will be issued in the form of fully registered bonds without coupons in the denomination of \$1,000 each or any integral multiple thereof.

**DTC and Book-Entry Only System.** DTC will act as securities depository for the Bonds. The Bonds will be executed and delivered as fully-registered securities registered initially in the name of Cede & Co. (DTC’s partnership nominee). So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the “Owners” will mean Cede & Co., and will not mean the Beneficial Owners of the Bonds. See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

**Method of Payment.** So long as the Bonds are registered in the name of Cede & Co., principal, premium, if any, and interest on the Bonds are payable directly to DTC by the Trustee in lawful money of the United States of America. Upon receipt of payments of principal, premium

or interest, DTC is to remit such principal, premium or interest to the “DTC Participants” (as defined in APPENDIX F) for subsequent disbursement to the Beneficial Owners of the Bonds. See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

### Redemption\*

**Optional Redemption.** The Bonds maturing on or before March 1, \_\_\_\_\_ are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after March 1, \_\_\_\_\_ are subject to redemption in whole, or in part at the written request of the Authority among maturities on such basis as the Authority may designate and by lot within a maturity, at the option of the Authority, on any date on or after March 1, \_\_\_\_\_, from any available source of funds, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

**Extraordinary Redemption from Net Proceeds of Insurance or Sales.** The Bonds are subject to redemption as a whole or in part, on any date, from and to the extent of the proceeds of disposition of Electric System properties or the proceeds of hazard insurance not used to repair or rebuild the Electric System, which proceeds are required to be used for such purpose under the Installment Sale Agreement, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, without premium.

**Mandatory Sinking-Fund Redemption.** The Bonds maturing on March 1, \_\_\_\_\_ and March 1, \_\_\_\_\_ (the “Term Bonds”) are subject to mandatory redemption in part by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on March 1 in the respective years as set forth in the following tables; *provided, however*, that if some but not all of such Term Bonds have been redeemed under the redemption provisions described in the preceding paragraph, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the Authority to the Trustee).

#### Term Bonds Maturing March 1, \_\_\_\_\_

Sinking Fund Redemption Date <u>(March 1)</u>	Principal Amount To Be <u>Redeemed</u>
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\* Preliminary, subject to change.

**Term Bonds Maturing March 1, \_\_\_\_**

Sinking Fund  
Redemption Date  
(March 1)

Principal  
Amount To Be  
Redeemed

***Selection of Bonds for Redemption; Partial Redemption.*** Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a single series or maturity, the Trustee shall select the Bonds of that series and maturity to be redeemed by lot in any manner which the Trustee in its sole discretion deems appropriate. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond.

Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations and of the same series, equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

***Notice of Redemption; Right to Rescind.*** The Trustee shall mail notice of redemption of the Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to one or more Securities Depositories and to the Municipal Securities Rulemaking Board. Each notice of redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the series of Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers and (in the event that not all Bonds within a maturity are called for redemption) Bond series and numbers of the Bonds to be redeemed and the maturity or maturities of the Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the sufficiency of the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

The Authority has the right to rescind any notice of optional redemption of Bonds under the Indenture by written notice to the Trustee on or prior to the dated fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The Authority and the Trustee have no liability to the Bond Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

*Unless the book-entry only system is discontinued, the Authority and the Trustee will only recognize DTC or its nominee as an Owner. Conveyance of notices and other communications by DTC to its participants (“**DTC Participants**”) and by DTC Participants to each actual purchaser of each Bond will be governed by arrangements between them, subject to any statutory and regulatory requirements as may be in effect from time to time. See “APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM.”*

**Purchase in lieu of Redemption.** In lieu of redemption of Bonds as provided in the Indenture, amounts held by the Trustee for such redemption may be applied by the Trustee to the purchase of Bonds at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) at the direction of the Authority or the City received by the Trustee at least 75 days prior to the selection of the Bonds for redemption, but such purchase price must not exceed the redemption price that would be payable if such Bonds were redeemed.

**Effect of Redemption.** Notice of redemption having been duly given, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed under the foregoing provisions of the Indenture shall be canceled by the Trustee upon surrender thereof and destroyed in accordance with the retention policy of the Trustee then in effect.

## **SECURITY FOR THE BONDS**

*This section provides summaries of certain provisions of the Indenture, the Installment Sale Agreement and the Bonds. See APPENDIX A for a summary of additional provisions of the Indenture and Installment Sale Agreement. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.*

### **General**

The Bonds are special, limited obligations of the Authority payable solely from and secured by the Revenues and amounts held in certain funds and accounts established under the Indenture. The issuance of the Bonds will not directly, indirectly or contingently obligate the City or the Authority to levy or pledge any form of taxation or to make any appropriation for their payment. The Bonds are not a debt of the Authority, the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Except for the payment of Installment Payments when due and the performance of the other covenants and agreements of the City contained in the Installment Sale Agreement, the City has no obligation or liability to the Owners of the Bonds with respect to the Indenture or the execution, delivery or transfer of the Bonds, or the disbursement of debt service payments to the Owners by the Trustee. The obligation of the City to make the Installment Payments is a special obligation of the City secured by a pledge of Net Revenues and payable solely from the Net Revenues and other amounts available under the Indenture, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Notwithstanding anything contained in the Installment Sale Agreement, the City is not required to advance any moneys derived from any source of income other than the Net Revenues and the other funds provided in the Installment Sale Agreement for the payment of amounts due under the Installment Sale Agreement or for the performance of any agreements or covenants required to be performed by it contained in the Installment Sale Agreement. See “BOND OWNERS’ RISKS – Limited Obligations” herein.

### **Revenues; Pledge of Revenues**

The Bonds are payable from and secured by a lien on and security interest in the Revenues as provided in the Indenture. “Revenues” consist of (i) all of the Installment Payments, and (ii) all interest, profits or other income derived from the investment of amounts in any fund or account established under the Indenture, other than the Project Fund. Said pledge constitutes a lien on and security interest in the Revenues and such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without the need for any physical delivery thereof or further act.

### **Assignment to Trustee**

Under the Indenture, the Authority transfers, assigns and sets over to the Trustee, subject to the provisions of the Indenture, all of the Revenues (which consist primarily of the Installment Payments, as more fully described below) and any and all rights and privileges it has under the Installment Sale Agreement (excepting only certain of the Authority’s rights under the Installment

Sale Agreement), including the right to collect and receive directly all of the Installment Payments and the right to enforce the provisions of the Installment Sale Agreement.

Any Revenues collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and will immediately be paid by the Authority to the Trustee.

### **Deposit of Revenues in Bond Fund**

All Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required under the Indenture or under the Installment Sale Agreement to be deposited in the Redemption Fund shall be promptly deposited in such fund. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture. Any surplus remaining in the Bond Fund, after payment in full of (i) the principal of and interest on the Bonds or provision therefor under the Indenture, (ii) payment of amounts due to any Insurer, and (iii) any applicable fees and expenses to the Trustee, shall be withdrawn by the Trustee and remitted to the City.

### **Allocation of Revenues**

On or before the 6th Business Day preceding each Interest Payment Date, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts and fund, the following amounts in the following order of priority:

Deposit to Interest Account. The Trustee shall deposit in the Interest Account (which the Trustee shall establish and maintain within the Bond Fund) an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such Interest Payment Date on all Bonds then Outstanding.

Deposit to Principal Account. The Trustee shall deposit in the Principal Account (which the Trustee shall establish and maintain within the Bond Fund) an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such Interest Payment Date, including the principal amount of Term Bonds which are subject to mandatory sinking fund redemption on such Interest Payment Date.

[Deposit to Accounts within Reserve Fund. The Trustee shall deposit into the accounts within the Reserve Fund amount(s) which are needed to replenish the amounts therein to the applicable reserve requirement therefor or pay amounts due to any insurer with respect to any Qualified Reserve Fund Credit Instrument, including to pay Policy Costs due to any Insurer.]

### **Installment Payments**

Obligation to Pay. Under the Installment Sale Agreement, the City agrees to pay the Authority, as the purchase price of the Projects thereunder. In furtherance of the foregoing, the City agrees to pay to the Authority, as the purchase price of the Project described in this Official Statement the aggregate principal amount equal to the principal amount on the Bonds, together with interest (calculated on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, payable in semiannual installment payments in the respective amounts and on the respective Installment Payment Dates set forth in the Installment Sale Agreement. The Installment Payment coming due and payable on any Installment Payment Date shall be

deposited by the City with the Trustee, as assignee of the Authority under the Indenture, in an amount which, together with amounts then held by the Trustee in the Bond Fund and the accounts therein, is equal to the full amount of such Installment Payment. The Installment Payments shall be secured by and payable solely from the sources specified in the Installment Sale Agreement.

Effect of Prepayment. If the City prepays all remaining Installment Payments in full, the City's obligations under this Agreement will thereupon cease and terminate with respect to the Installment Payments; *provided, however*, that the City's obligations to compensate and indemnify the Trustee under the Indenture will survive such prepayment. If the City prepays the Installment Payments in part but not in whole, the principal component of each succeeding Installment Payment related thereto will be reduced as provided in such Sections, and the interest component of each remaining Installment Payment will be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Bonds thereby redeemed under the applicable provisions of the Indenture, as provided in a certificate of a City Representative. The City shall provide the Trustee with a revised schedule of Installment Payments which results from any such prepayment in such certificate of a City Representative.

Rate on Overdue Payments. If the City fails to make any of the payments required in the Installment Sale Agreement, the payment in default will continue as an obligation of the City until the amount in default has been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment, at the Overdue Rate.

Assignment. The City understands and agrees that certain rights of the Authority, including but not limited to the right of the Authority to receive payment of the Installment Payments, have been assigned by the Authority to the Trustee in trust under the Indenture, for the benefit of the Owners of the Bonds, and the City hereby consents to such assignment. Under the Installment Sale Agreement, the Authority directs the City, and the City agrees, to pay to the Trustee at its Office, all payments payable by the City under the Installment Sale Agreement.

## **Pledge of Net Revenues**

Pledge of Net Revenues. The Installment Payments and any Parity Debt are equally secured by a first pledge, charge and lien upon the Net Revenues and (with respect to the Installment Payments) moneys in the Bond Fund, including all amounts derived from the investment of such moneys, without priority for series, issue, number or date, and the payment of the Installment Payments shall be and are secured by an exclusive pledge, charge and lien upon the Net Revenues and such moneys. 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 this Section and any Parity Debt Document.

Key Definitions. As used in the Installment Sale Agreement, the following terms have the following meanings:

“*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.

“*Gross Revenues*” means all gross income and revenue received by the City from the ownership and operation of the Electric System, including, without limiting the generality of the foregoing, (a) all amounts levied by the City as a fee for connecting to the

Electric System, as such fee is established from time to time under applicable law, (b) all income, rents, rates, fees, charges or other moneys derived from the services and facilities of the Electric System, (c) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or under applicable law to the Electric System, (d) the proceeds derived by the City directly or indirectly from the sale, lease or other disposition of a part of the Electric System as permitted under this Agreement, (e) amounts transferred into the Electric Fund from a Rate Stabilization Fund, and (f) amounts received by the City from other public agencies as the proceeds of tax revenues or other amounts payable to the City under contracts for services provided by the City to users of the Electric System; *provided, however*, that the term “Gross Revenues” shall not include (i) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the City, (ii) the proceeds of any *ad valorem* property taxes levied to pay general obligation bond indebtedness of the City with respect to the Electric System, and (iii) 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 Electric System.

“*Operation and Maintenance Costs*” means all expenses and costs of management, operation, maintenance and repair of the Electric System, including, without limiting the generality of the foregoing, (a) all costs of electric energy and power generated or purchased by the City for resale, costs of transmission, and fuel and water supply in connection with the foregoing, including all amounts required to be paid by the City under contracts for the purchase of capacity, energy, transmission capability or any other commodity or service related thereto that requires payments to be made by the City thereunder to be treated as maintenance and operation costs of the Electric System, (b) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Electric System in good repair and working order, (c) all administrative costs of the City that are charged directly or apportioned to the operation of the Electric System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums; *provided, however*, that the term “Operation and Maintenance costs” shall not include (i) payment of the Installment Payments which the City is required to pay hereunder, (ii) payment of debt service on bonds, notes or other obligations issued by the City with respect to the Electric System, (iii) depreciation, replacement and obsolescence charges or reserves therefor, (iv) capital expenditures made by the City with respect to the Electric System, (v) accrual of employee benefits which are not funded, (vi) amortization of intangibles or other bookkeeping entries of a similar nature, and (vii) the 6% in-lieu franchise tax payable to the General Fund of the City pursuant to Resolution No. 94-4 adopted by the City Council of the City on August 4, 1993, or any successor thereto.

Deposit of Gross Revenues into Electric Fund; Transfers to Make Payments. The City has previously established the Electric Fund, which the City shall continue to hold and maintain for the purposes and uses set forth herein. The City shall deposit all Gross Revenues in the Electric Fund promptly upon the receipt thereof, and shall apply amounts in the Electric Fund solely for the uses and purposes set forth herein and for the uses and purposes set forth in any Parity Debt Documents. The City shall withdraw amounts on deposit in the Electric Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

*Operation and Maintenance Costs.* The City shall apply amounts on deposit in the Electric Fund to pay all Operation and Maintenance Costs when due.

Debt Service. The City shall pay the Installment Payments on or before the applicable Installment Payment Date, and all payments of principal of and interest on outstanding Parity Debt on or before the date specified therefor in the applicable Parity Debt Document.

Reserve Accounts and Other Required Payments. The City shall make other payments or deposits required to comply with the provisions of this Agreement and all Parity Debt Documents, including but not limited to payments or deposits required to restore the required balances in any reserve account established pursuant to the Indenture for any series of Bonds and any other reserve fund or reserve account which may be established for Parity Debt (or pay any reserve insurer any amounts owed in connection with any draw on any reserve fund insurance policies).

Payment of the Installment Payments and the principal of and interest on the outstanding Parity Debt, and payments made in accordance with any reserve account or reserve fund (including to pay any reserve insurer any amounts owed in connection with any draw on any reserve fund insurance policies), shall be made without preference or priority. If the amount of Net Revenues on deposit in the Electric Fund are any time insufficient to enable the City to pay when due the Installment Payments and the principal of and interest on all outstanding Parity Debt (or payments made in accordance with any reserve account or reserve fund, including to pay any reserve insurer any amounts owed in connection with any draw on any reserve fund insurance policies), such payments will be made on a pro rata basis.

Other Uses Permitted. The City shall manage, conserve and apply the amounts on deposit in the Electric Fund in such a manner that all deposits required to be made under the preceding subsection will be made at the times and in the amounts so required. So long as no Event of Default has occurred and is continuing and the City has reserved sufficient amounts to make debt service deposits next required to be made under the subsection above and under any Parity Debt Documents, the City may at any time use and apply moneys in the Electric Fund for any one or more of the following purposes: (i) the payment of any subordinate obligations or any unsecured obligations, including the 6% in-lieu franchise tax payable to the General Fund of the City; (ii) the acquisition and construction of extensions and improvements to the Electric System; (iii) the redemption of any obligations of the City relating to the Electric System; or (iv) any other lawful purpose of the City relating to the Electric System.

Treatment of 6% In-Lieu Franchise Tax. In the Installment Sale Agreement, the City covenants and agrees for the benefit of the Bondholders [and the Insurer] that so long as any Bonds are Outstanding, the 6% in-lieu franchise tax payable to the General Fund of the City pursuant to Resolution No. 94-4 adopted by the City Council of the City on August 4, 1993, or any successor thereto, shall be payable by the Electric System to the General Fund on a basis that is subordinate to the payment of debt service on the Bonds and replenishment of any reserve fund (or payment to any reserve insurer of any amounts owed in connection with any draw on any reserve fund insurance policies) established for any Bonds.

### **Debt Service Reserve Fund**

[To come, if applicable. Reserve fund insurance policy description, if applicable.]

## Rate Covenant

In the Installment Sale Agreement, the City covenants that it shall prescribe, revise and collect rates, fees and charges for the services and facilities of the Electric System which, after allowances for contingencies and error in the estimates, shall produce Gross Revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least [1.20] times the Debt Service coming due and payable during such Fiscal Year.

## Rate Stabilization Fund

Under the Installment Sale Agreement, the City has the right at any time to establish a rate stabilization fund (the “**Rate Stabilization Fund**”) to be held by it and administered in accordance therewith, for the purpose of stabilizing the rates and charges imposed by the City with respect to the Electric 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 Installment Payments 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 Electric Fund in any Fiscal Year for the purpose of paying Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from a Rate Stabilization Fund to the Electric Fund shall constitute Gross Revenues for such Fiscal Year (except as otherwise provided herein), and shall be applied for the purposes of the Electric Fund. Amounts on deposit in a Rate Stabilization Fund shall not be pledged to or otherwise secure the Installment Payments 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 Electric 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.

The City has previously established a Rate Stabilization Fund for the Electric System. See “THE ELECTRIC SYSTEM – Electric Rates – Rate Stabilization Fund” for more details.

## Senior Lien Debt

During the term of the Installment Sale Agreement, 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 Gross Revenues over the Installment Payments, provided that the City may incur obligations payable as Operation and Maintenance Costs. See “ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Long-Term Obligations” for further details on certain obligations already payable by the Electric System as Operation and Maintenance Costs related to power generation projects in which the Electric System participates.

In addition, nothing in the Installment Sale Agreement limits or affects the ability of the City to issue or incur Parity Debt as described below under “–Issuance of Parity Debt,” or obligations which are either unsecured or which are secured on a basis which is junior and subordinate to the pledge of and lien upon the Net Revenues established under the Installment Sale Agreement for the Installment Payments.

## Issuance of Parity Debt

Under the Installment Sale Agreement, the City may issue or incur Parity Debt in such principal amount as it determines, subject to the following conditions precedent:

(i) The City is not in default under the terms of the Installment Sale Agreement (and no event has occurred which, once all notice and grace periods have passed, would constitute a default thereunder) unless such default shall be cured upon such issuance; and

(ii) Net Revenues, calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any more recent 12-month period selected by the City ending not more than 60 days prior to the adoption or execution of the Parity Debt Document pursuant to which such Parity Debt is issued or incurred, plus, at the option of the City, the Additional Revenues, shall have amounted to at least [1.20] times the Maximum Annual Debt Service coming due and payable in any future Fiscal Year.

The City shall deliver to the Authority and the Trustee a certificate of a City Representative certifying that each of the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied.

Notwithstanding the foregoing provisions, the City shall not be required to meet the requirements of the foregoing clause (ii) with respect to the issuance of any Parity Debt the proceeds of which are applied to prepay or discharge the Installment Payments or any Parity Debt, provided that as a result of such prepayment or discharge the aggregate amount of Debt Service on the Installment Payments and Parity Debt which will be outstanding following the issuance of such Parity Debt will be reduced in every Fiscal Year.

As used above, “**Additional Revenues**” means either or both of the following:

(i) An allowance for revenues from any additions to or improvements or extensions of the Electric System to be constructed with the proceeds of such additional obligations, and also for Net Revenues from any such additions, improvements or extensions which have been constructed from any source of funds but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following issuance of the proposed Parity Debt, all as shown by the certificate or opinion of a Financial Consultant employed by the City, may be added to such Net Revenues.

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

## **THE AUTHORITY**

The Authority is a joint powers authority established pursuant to the JPA Agreement. The Authority is governed by a five-member Board that consists of the members of the City Council of the City. The Authority was created for the purpose of assisting the financing or refinancing of certain public capital facilities within the City. Under the Bond Law, the Authority has the power to lease real property in furtherance of the acquisition of public improvements necessary or convenient for the operation of the City, or to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale.

## **THE CITY**

The City encompasses approximately five square miles and is located in the County, approximately 100 miles north of San Francisco in the northern coastal region of the State on U.S. Highway 101. The area is centrally located between the San Francisco Bay Area, Eureka and Sacramento. The City was incorporated in 1876 and is a general law city operating under a City Council/City Manager form of government. The City Council consists of 5 members, elected at-large to four-year terms. The City Council selects the Mayor from one of the City Council members. The City Manager and City Attorney are appointed by the City Council. The City has an estimated population of approximately 15,526 people as of January 1, 2021. For other selected information concerning the City, see “APPENDIX D – GENERAL INFORMATION REGARDING THE CITY OF UKIAH AND COUNTY OF MENDOCINO” herein.

## THE ELECTRIC SYSTEM

### History and Background

The City has owned and operated its Electric System for more than 120 years, and as such, the Electric System is one of the oldest municipally-owned systems in the State. The Electric System is presently composed of electric generation and transmission facilities, as well as distribution system facilities, including a substation and both overhead and underground lines. The service area of the distribution system includes all of the City, and there is no other competing enterprise that furnishes electric distribution service in the City.

In the 1970s, the City embarked on a program to develop its own power sources, instead of relying upon the power sources of Pacific Gas & Electric (“**PG&E**”). The major impetus for this action was the rapid increase in PG&E power costs in the 1970s and the availability to the City, beginning in 1982, of an allocation of power from the Western Area Power Administration (“**Western**” or “**WAPA**”), which markets power from the Central Valley Project (“**CVP**”), a federal multi-use hydroelectric development in northern California. Subsequently, the City became a member of the Northern California Power Agency (“**NCPA**”), which is a joint-exercise of powers agency. As an NCPA member, the Electric System receives power from certain NCPA electric-generation projects in which the Electric System participates, as described herein.

The Electric System is operated as a separate department of the City, under the authority and direction of the City Council, the City Manager and the Electric Utility Director, as described herein.

### Organization and Employees

**City Council.** The Electric System is under the governance of the City Council of the City. The Electric Utility Director oversees operations of the electric utility and reports to the City Manager, who reports to the City Council. Special committees advise the City Council and Electric System with respect to rate setting and infrastructure planning.

**Electric Utility Director.** The Electric System is operated on a day-to-day basis under the direction and supervision of the Electric Utility Director. A brief biography follows.

*Mel Grandi, P.E., Electric Utility Director.* Mel Grandi has been Electric Utility Director since May 2008. Prior to that, he worked at Mare Island Naval Ship Yard in nuclear instrumentation, with General Electric as a field engineer, for the City of Lodi as engineering manager and assistant utility director, and in Texas as a systems manager. He has a Bachelor’s Degree in Electrical Engineering from U.C. Davis.

**Employees.** As of June 30, 2021, 18.8 full-time equivalent (“**FTE**”) positions were authorized for the Electric System. Certain functions supporting the Electric System’s operations, including customer billing, collections and accounting, are performed by the Finance Department of the City. Most of the non-management City personnel working at the Electric System are represented by Local 1245 of the International Brotherhood of Electrical Workers (“**IBEW**”). The current IBEW contract will expire on September 18, 2022. In the past five years, there have been no strikes or other work stoppages at the City, including at the Electric System. For information regarding the City’s retirement benefits and plans, see “ELECTRIC SYSTEM FINANCIAL INFORMATION – Retirement Benefits” below.

## Sources of Power Supply

The Electric System is supplied by a diverse portfolio of power sources, including renewable sources as mandated by law. The following table provides a summary of the City's sources of power supply for Fiscal Year 2020-21.

**Table 1  
Sources of Power Supply  
Fiscal Year 2020-21**

Source	Type	Capacity Available (MW) <sup>(1)</sup>	Actual Energy (GWh) <sup>(2)</sup>	% of Total
Self-Generation:				
Lake Mendocino Hydroelectric	Hydro	3.50	8.70	7.9%
Purchased Power:				
WAPA	Hydro	N/A	6.30	5.7%
NCPA:				
Geothermal Project (The Geysers Project)	Geothermal	12.34	41.50	37.7%
Hydroelectric Project No. 1 (Calaveras Project)	Hydro	5.07	9.73	8.8%
Lodi Energy Center Project	Natural Gas	5.30	23.52	21.4%
Combustion Turbine Project No. 1 (CT-1)	Natural Gas	6.76	1.42	1.3%
Market & Contract Purchases:				
Renewable Purchases	Various	N/A	0.00	
Non-Renewable Purchases	Various	N/A	18.80	17.2%
<b>TOTAL</b>		<b>32.97</b>	<b>110.00</b>	<b>100.0%</b>
Peak Demand (MW)		30.86		

(1) Capacity in MW and available for system peak.

(2) One gigawatt hour (GWh) equals 1 million kilowatt hours (kWh). Amounts shown are for full fiscal year.

Source: City of Ukiah.

**Western Area Power Administration (WAPA).** The City has various long-term power supply contracts with WAPA (administered for the City by NCPA). The City has a 0.346% share of the net output of the CVP, which provides varying amounts of capacity and energy depending upon hydrological conditions. The term of the power supply contracts extends through December 31, 2054.

**Northern California Power Agency (NCPA).** The City is a participant in a number of NCPA power generation projects. More specifically, the City has a 2.04% entitlement share in the NCPA Hydroelectric Project Number One (Calaveras County Project), a 5.61% entitlement share in the NCPA Geothermal Project (The Geysers Project), a 1.79% entitlement share in the NCPA Lodi Energy Center Project, and a 9.09% entitlement share in the NCPA Combustion Turbine Project Number One (CT-1). For each of these generation projects in which the City participates, the City is obligated to pay on an unconditional take-or-pay basis, as Operation and Maintenance Costs of the Electric System, its entitlement share of the debt service on NCPA bonds issued for the project as well as its share of the operation and maintenance expenses of the project. Each of the NCPA projects are summarized below.

***NCPA Geothermal Project (The Geysers Project).*** NCPA developed a geothermal project (the “NCPA Geothermal Project”) located on federal land in certain areas of Sonoma and Lake Counties, California. In addition to the geothermal leasehold, wells, gathering system and related facilities, the NCPA Geothermal Project consists of two electric generating stations (Geothermal Plant 1 and Geothermal Plant 2), with turbine generator units having a combined 165 MW (nameplate rating) that utilize low-pressure, low-temperature geothermal steam, associated electrical, mechanical and control facilities, a heat dissipation system, a steam gathering system, a transmission tap line and other related facilities. Geothermal steam for the NCPA Geothermal Project is derived from geothermal property, which includes well pads, access roads, steam wells and reinjection wells.

NCPA formed two not-for-profit corporations controlled by its members to own the generating plants of the NCPA Geothermal Project. NCPA manages the NCPA Geothermal Project for the corporations and is entitled to all the capacity and energy generated by the NCPA Geothermal Project. NCPA financed the NCPA Geothermal Project with NCPA Geothermal Project Number 3 Revenue Bonds with a final maturity date of July 1, 2024, of which an estimated \$15.5 million were outstanding as of June 30, 2021. Subsequent to the development of the Geothermal Project, declines in steam pressure and quantity of steam have occurred. This decline is due to reduced steam availability and not from the thermal potential of the site, thus the generation capability of the plant benefits from the injection of water to create additional steam. NCPA has managed this decline through additional drilling and maintenance of wells, injection of both plant condensate and supplemental water, and conversion to lower steam turbine operating pressures. NCPA has modified all three of the steam turbines and the associated steam collection system to more efficient designs for the available steam conditions. NCPA is implementing efficiency projects at the Geothermal Project; however, due to current operating protocols and forecasted operations, NCPA expects average annual generation and peak capacity to decrease over time.

The City has purchased from NCPA, pursuant to power sales contracts, a 5.61% entitlement share in the NCPA Geothermal Project and is obligated to pay a like percentage of all of the debt service and operating costs of the NCPA Geothermal Project.

In order to meet certain obligations required of NCPA to secure transmission and other support services for the NCPA Geothermal Project, NCPA and its transmission project participants (including the City) undertook the “Geysers Transmission Project,” which includes (a) an ownership interest in a 230 kilovolt (“kV”) line from Castle Rock Junction in Sonoma County to the Lakeville Substation owned by PG&E, (b) additional firm transmission rights in this line, and (c) a central dispatch facility (see “– Dispatch and Scheduling” below). The City has a 10.1% entitlement share of the Geysers Transmission Project transfer capability.

***NCPA Hydroelectric Project Number One (Calaveras Project).*** NCPA’s Hydroelectric Project Number One (the “NCPA Hydroelectric Project”) consists of (a) three diversion dams, (b) the 246.86-MW Collierville Powerhouse, (c) the New Spicer Meadow Dam with a 6.0-MW powerhouse, and (d) associated tunnels located essentially on the North Fork of the Stanislaus River and on the Stanislaus River in Alpine, Tuolumne and Calaveras counties, California, together with required transmission facilities. The NCPA Hydroelectric Project (with the exception of certain transmission facilities discussed below) is owned by the Calaveras County Water District (“CCWD”) and is licensed to CCWD by the Federal Energy Regulatory Commission (“FERC”) under its license for Project No. 2409, which has a term of 50 years and expires in 2032.

Under a power purchase contract, NCPA (i) is entitled to the electric output of the NCPA Hydroelectric Project until Fiscal Year 2031-32, (ii) managed the construction of the NCPA Hydroelectric Project and (iii) operates the generating and recreational facilities of the NCPA Hydroelectric Project. After the present FERC license for Project No. 2409 expires, NCPA has the option to continue to purchase project capacity and energy during a subsequent license renewal period. The purchase option includes all capacity and energy which is surplus to CCWD's needs for power within the boundaries of Calaveras County. Under a separate FERC-issued license for Project No. 11197, with an expiration date coterminous with its license for Project No. 2409, NCPA holds the license to and owns two transmission lines from the NCPA Hydroelectric Project (the 230 kV Collierville-Bellota and 21 kV Spicer Meadow-Cabbage Patch transmission lines). NCPA has a separate FERC license for Project No. 11563 (Upper Utica Project), which consists of three storage reservoirs that mainly feed the New Spicer Meadow Reservoir. This license expires in 2033. NCPA financed the NCPA Hydroelectric Project through the issuance of the NCPA Hydroelectric Project Number One Revenue Bonds with a final maturity date of July 1, 2032, of which an estimated \$223.3 million were outstanding as of June 30, 2021.

The operation of the NCPA Hydroelectric Project is determined by consideration of its storage capacity and available stream flows. The NCPA Hydroelectric Project's average production is estimated to be 512 GWh annually, based on the 105-year record (1913 to 2018) of stream flows on the two rivers supplying water to the project. Using the driest period on record (1976-1977), the NCPA Hydroelectric Project is estimated to produce 180 GWh annually.

The City has a 2.04% entitlement share of the generating output of the NCPA Hydroelectric Project and is obligated to pay a like percentage of all of the debt service and operating costs of the NCPA Hydroelectric Project.

**Lodi Energy Center Project.** NCPA owns and operates a natural gas-fired, combined-cycle power generation plant located in the City of Lodi, San Joaquin County, California (the "Lodi Energy Center" or "LEC"). The electric generation components (the "Power Island") of the Lodi Energy Center consists of the following components: (1) one natural gas-fired Siemens STGS-5000F combustion turbine-generator (CTG), with an evaporative cooling system and dry low-NOx combustors to control air emissions; (2) one 3-pressure heat recovery steam generator (HRSG), (3) a selective catalytic reduction (SCR) and carbon monoxide ("CO") catalyst to further control NOx and CO emissions, respectively; (4) one Siemens SST-900RH condensing steam turbine generator ("STG"); (5) one natural gas-fired auxiliary boiler; (6) one 7-cell draft evaporative cooling tower; and (7) associated support equipment. The Lodi Energy Center was placed into commercial operation on November 27, 2012.

LEC is currently registered with a Pmax of 302 MW (increased from 280 MW in 2018). (The Pmax is a measure of the maximum normal capability of a generating unit that is utilized by the California Independent System Operator ("CAISO") in determining the amount of capacity that can be counted toward meeting resource adequacy requirements.) During drought conditions, the LEC generally operates at higher output levels to make up for the loss of hydroelectric generation available to participants in the project.

Pursuant to the Lodi Energy Center Power Sales Agreement (the "LEC Power Sales Agreement"), between NCPA and the City (and other participants in the project), NCPA agreed to construct and operate the Lodi Energy Center and sold the capacity and energy of the Lodi Energy Center to the City (and other participants) on a "take-or-pay" basis, in accordance with their respective generation entitlement shares to the capacity and energy of the Lodi Energy Center.

NCPA financed a portion a portion of the costs of construction of the Lodi Energy Center through the issuance of revenue bonds: (i) its Lodi Energy Center Revenue Bonds, Issue One, issued on behalf of eleven of the thirteen participants in the Lodi Energy Center (being all of the above-named LEC Project Participants other than the Modesto Irrigation District and the California Department of Water Resources), of which \$220.9 million is outstanding as of September 1, 2019, and (ii) its Lodi Energy Center Revenue Bonds, Issue Two, issued on behalf of the California Department of Water Resources, of which \$110.2 million is outstanding as of September 1, 2019.

The City has a 1.79% entitlement share of the generating output of the NCPA Lodi Energy Center Project and is obligated to pay a like percentage of all of the debt service and operating costs of the NCPA Lodi Energy Center.

**Combustion Turbine Project Number One (CT-1).** The Combustion Turbine Project Number One (the “Combustion Turbine Project”) originally consisted of five combustion turbine units, each nominally rated 25 MW, with two units located in each of Roseville and Alameda and one in Lodi. Sale of the two units located in Roseville to the City of Roseville (an original participant in the Combustion Turbine Project) was effective on September 1, 2010, and the remaining Combustion Turbine Project includes only the two units in Alameda and the one unit in Lodi.

The Combustion Turbine Project provides capacity (i) that is economically dispatched during the peak load period to the extent permitted by air quality restrictions and (ii) to be used to meet the certain capacity reserve requirements (e.g., resource adequacy requirements). This resource provides the capacity below current spot market prices for capacity but as is typical of this type of technology, the average cost for power per kWh of power delivered to the participants in the Combustion Turbine Project is comparatively expensive.

NCPA has sold the capacity and energy of the Combustion Turbine Project to the Combustion Turbine Project participants on a “take-or-pay” basis, in accordance with their respective project entitlement percentages to the capacity and energy of the Combustion Turbine Project through the issuance of Combustion Turbine Project Number One Revenue Bonds, which bonds were retired as of August 15, 2010.

The City has a 9.09% entitlement share of the generating output of the NCPA Combustion Turbine Project and is obligated to pay a like percentage of all of the debt service and operating costs of the Combustion Turbine Project.

**NCPA Natural Gas Supply Contracts.** NCPA, on behalf of the certain project participants (including those in the Lodi Energy Center, such as Ukiah), has entered into a Master Transaction Confirmation that is appended to and made part of a Base Contract for Sale and Purchase of Natural Gas (the “Consolidated Natural Gas Agreement”), effective on October 30, 2012, with EDF Trading North America, LLC (“EDF”). The Consolidated Natural Gas Agreement provides gas supply and management services, including the following:

- Supply of spot market gas for the full daily output of Combustion Turbine Project Number One and Unit One of the Capital Facilities Project (approximately 35,136 MMBtu/day); and
- Scheduling, nomination, balancing and settlement services for NCPA gas supplies from third parties.

The contract with EDF automatically renews each year on January 1, unless terminated earlier by six months written notice by either party.

Pursuant to a 30-year agreement terminating in October 2023 with various natural gas pipeline management companies, NCPA has entitlement rights to natural gas pipeline capacity of approximately 2,743 MMBtu/day sourced at AECO (Alberta) and sinking at PG&E Citygate (California). The four pipeline segments that are included in the contiguous pipeline entitlement include pipeline contained in the following natural gas systems: NOVA Gas Transmission Ltd. (NOVA), Foothills Pipelines (Foothills), Gas Transmission Northwest (GTN), and PG&E's CGT (CGT). NCPA's natural gas pipeline rights are managed by Mercuria Energy America, Inc., pursuant to an Asset Management Agreement for Pipeline Transport Capacity dated January 1, 2015. For release of such natural gas pipeline to Mercuria Energy America, Inc., NCPA is paid the value of the unused pipeline capacity by the pipeline manager.

In addition, NCPA and EDF entered into an agreement to provide the gas supply and the nomination, imbalance and settlement services for NCPA's Lodi Energy Center, which became effective on September 1, 2016.

**NCPA Power Purchase and Natural Gas Contracts.** The City also participates in the following two programs offered by NCPA.

**Market Purchase Program.** NCPA, on behalf of Alameda, BART, Biggs, Gridley, Healdsburg, Lodi, Lompoc and Ukiah may enter into supply agreements for terms of up to five years utilizing NCPA Commission approved Edison Electric Institute and WSPP Inc. Purchase Agreements. Procurement terms and conditions are governed by a Market Purchase Program agreement between NCPA and the participating Members listed in the preceding sentence. Purchase amounts are limited to 115% of each participating members forecast net open position associated with the period of the procurement. The Program was approved by the NCPA Commission on July 26, 2007.

**Natural Gas Program.** NCPA, on behalf of Biggs, Gridley, Healdsburg, Lodi, Lompoc and Ukiah may enter into gas supply agreements using competitive bids submitted in response to a NCPA Request For Proposals ("RFP Process"), or (ii) through direct purchases from the State of California Department of General Services Natural Gas Services Program. Procurement terms and conditions are governed by a Natural Gas Program agreement between NCPA and the participating Members identified in the preceding sentence. Purchases are subject to limits as may be changed from time to time as outlined in the NCPA Agreement Policy and/or Regulations. The Natural Gas Program was approved by the NCPA Commission on March 24, 2011.

**Renewable Purchases.** The City has historically entered into long term purchases to hedge electricity costs. With the passage of California Senate Bill X1-2, the California Renewable Energy Resources Act (“**SBX1-2**”), California Senate Bill 350, the Clean Energy and Pollution Reduction Act of 2015 (“**SB 350**”), and California Senate Bill 100, the 100 Percent Clean Energy Act of 2018 (“**SB 100**”), the City must comply with the State’s renewable energy targets to achieve renewable energy procurement of 33% by 2020, 50% by 2025, and 60% by 2030. The City has an additional incentive to enter into long term contracts, as certain contracts at least ten years in duration have the ability to carry forward renewable energy credits to be used to meet future compliance periods. Starting in 2020, 65% of Renewable Portfolio Standard (“**RPS**”) procurement must be derived from long-term contracts of 10 or more years. The City has satisfied all RPS targets for Compliance Period 1 (from 2011 through 2013), Compliance Period 2 (from 2014 through 2016), and Compliance Period 3 (2017-2020). Further, the City’s RPS contracts are forecasted to fulfill compliance requirements under current law through 2024. See also “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY” for more information.

**Power Purchase Agreement with SFWPA.** South Feather Water and Power Agency (“**SFWPA**”) has agreed to sell to NCPA, and NCPA has agreed to purchase from SFWPA, acting on behalf of City of Ukiah and other participating NCPA members, certain energy, capacity rights and associated environmental attributes supplied from the South Feather Power Project pursuant to the terms and conditions set forth in the Power Purchase Agreement (“**PPA**”) between South Feather Water and Power Agency and Northern California Power Agency. The SFWPA Project is comprised of four Hydroelectric generating units with a total capacity of 121 MW.

The term of the PPA includes the Initial Delivery Term that will begin on the Initial Delivery Date, and will continue uninterrupted through December 31, 2031. At the end of the Initial Delivery Term, if SFWPA does not elect to terminate the PPA, the term of the PPA will automatically extend for an additional 10-year period (the Extended Delivery Term). During the term of the PPA, NCPA will schedule and dispatch the South Feather Power Project, and SFWPA will own, operate and maintain the South Feather Power Project.

To enable NCPA to enter into the PPA on behalf of the City of Ukiah and the other participating members, pursuant to the terms and conditions of the Amended and Restated Facilities Agreement, the Third Phase Agreement provides all means necessary for NCPA to fulfill obligations incurred on behalf of NCPA and the Participants pursuant to the PPA, and to enable and obligate the Participants to take delivery of and pay for such electric capacity and energy and to pay NCPA for all costs it incurs for undertaking the foregoing activities.

The City of Ukiah has entered into a Third Phase Agreement for 1.65% (2 MW) of the project that specifies the rights and obligations of NCPA and the Participants regarding governance and administration of the PPA, and obligates each Participant to pay for its Project Participation Percentage share of all Project Costs, Administrative Services Costs, scheduling coordination costs, and all other costs related to the PPA.

**Open Market Term Purchase and Sale Agreements.** The City enters into various fixed-price purchase or sale contracts on the open market periodically to meet its power supply requirements and hedge its portfolio costs. Purchases include transactions to hedge natural gas (physical or financial) and electricity (physical or financial) over various tenors. In addition to the above supply resources, the City expects that it will obtain additional resources from market purchases or investment in generation facilities, either independently, through NCPA or other agencies. In accordance with current State law, the City expects that future energy purchases will increasingly be made from renewable energy sources.

The following table shows the City’s energy requirements and resources using projected estimates for the next 10 fiscal years.

**Table 2  
Energy Requirements and Resources (GWh)  
Projected Fiscal Years Ending June 30, 2022 through 2031**

NORTHERN CALIFORNIA POWER AGENCY										
ANNUAL BUDGET & TEN-YEAR FORECAST - MWh's										
UKIAH										
	Annual Budget	Forecast								
	2,022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>NET ANNUAL GENERATION (MWh)</b>										
Lake Mendocino Hydroelectric		8,700	8,700	8,700	8,700	8,700	8,700	8,700	8,700	8,700
<b>NCPA Plants</b>										
Hydroelectric	9,739	10,576	10,486	10,516	10,528	10,418	10,439	10,545	10,525	10,515
Geothermal	38,540	40,015	39,381	40,996	43,034	42,390	41,865	41,168	40,590	40,016
Combustion Turbine No. 1	949	803	744	894	845	834	752	567	765	779
Combustion Turbine No. 2 (STIG)	-	-	-	-	-	-	-	-	-	-
Lodi Energy Center	16,882	15,242	12,735	6,952	6,722	5,223	3,578	3,138	2,872	2,672
SFWPA *		3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
<b>Member Resources (Pool)</b>	-	-	-	-	-	-	-	-	-	-
Western Resource Pool (Memo Only)	9,143	9,018	9,122	9,611	9,416	9,416	9,659	10,378	10,378	10,378
<b>Market Power Purchases (Pool)</b>	3,510	-	-	-	-	-	-	-	-	-

\* Projected

Source: City of Ukiah.

## Regional Transmission Facilities

**California Independent System Operator Controlled Grid.** The CAISO provides a market for electric utilities in California, including the Electric System. Under current CAISO operating protocols, the City pays per MWh charges for use of the transmission system for exports from the CAISO.

**NCPA Power Pool.** NCPA operates a power pool that includes the following members: Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Plumas Sierra, the Port of Oakland and Ukiah (each, an “NCPA Pool Member”). The ten NCPA Pool Members’ service areas are interconnected to the CAISO-controlled grid. NCPA operates a central dispatch facility (the “Central Dispatch Center”) at NCPA’s headquarters. The Central Dispatch Center balances loads and resources pursuant to the Third Amended and Restated NCPA Metered Subsystem Aggregation Agreement (the “MSSA”), as such may be amended from time to time, with the CAISO (as described below) for the ten NCPA Pool Members, and the City of Santa Clara. The Central Dispatch Center separately coordinates with the City of Roseville to schedule Roseville’s entitlement to the NCPA-project output across the CAISO-controlled grid as requested by Roseville. The Central Dispatch Center also monitors and controls load and voltage levels, and enters into buy and sell transactions with other utilities throughout the western United States and Canada and regulates various hydroelectric facilities in coordination with the CAISO to maintain a safe and reliable interconnected system.

NCPA operates according to the terms and conditions of the CAISO tariff and the MSSA, the original form of which was approved by FERC in 2002 and as has been amended and restated as needed from time to time to conform to applicable market rules established by the CAISO and FERC. The MSSA identifies operational terms and conditions that vary from the CAISO tariff, largely allowing NCPA Members to continue to operate their respective systems as vertically integrated utilities by generally self-providing for resources and services otherwise procured through the CAISO’s markets. In conjunction with the execution of the MSSA, NCPA and PG&E are parties to an Interconnection Agreement (the “NCPA- PG&E Interconnection Agreement”) that provides for the terms and conditions for connecting NCPA resources and member loads to the CAISO-controlled grid (or PG&E wholesale transmission system), where such CAISO-controlled grid facilities are owned by PG&E and transferred to CAISO operational control through a Transmission Control Agreement between PG&E and the CAISO. Santa Clara has separate agreements for the services provided under the MSSA and NCPA-PG&E Interconnection Agreement.

**TANC California-Oregon Transmission Project (“COTP”).** The City is a member of the Transmission Agency of Northern California (“TANC”). TANC, together with the City of Redding, WAPA, two California water districts and PG&E (collectively, the “COTP Participants”) own the California-Oregon Transmission Project (“COTP”), a 339-mile long, 1,600 MW, 500 kV transmission power project between Southern Oregon and Central California. The City has executed the TANC Agreement (defined below) for a participation percentage of TANC’s entitlement of COTP transfer capability. The COTP was placed in service on March 24, 1993, at a cost of approximately \$430 million, and was financed through a combination of bonds and notes issued by TANC. A major debt refinancing was completed in 2016 to extend the debt service from year 2024 to year 2039. As of June 30, 2020, approximately \$169.4 million principal amount of TANC COTP bonds were outstanding, with a final maturity date of May 1, 2039. Under its agreement with TANC, the City has a 0.021% entitlement share in the COTP transfer capability (approximately 29.35 MW). In return, the City has agreed to pay, on an unconditional take-or-pay basis, 0.021% of the construction costs of the COTP, including debt service, and 0.021% of

TANC's COTP operating and maintenance expenses. These obligations constitute Operation and Maintenance Costs of the City's Electric System.

***PG&E-Owned Transmission Line.*** The City of Ukiah receives California Independent System Operator (CAISO) transmission service from a 115kV transmission loop. This loop provides redundancy for the City of Ukiah. The northern feed extends approximately 70 miles from Williams CA to Ukiah on an overhead transmission line and the south feed extends from Ukiah to Cloverdale. PG&E has significantly expanded their maintenance and vegetation management in high fire threat areas by increasing line clearances and reducing potential ignition sources due to vegetation.

### **Electric Distribution System**

***General.*** The City owns and operates the electrical distribution system serving customers within the City's boundaries. The distribution system consists of over 40 miles of overhead lines (including 5 miles of lines that connect the Lake Mendocino Dam to the rest of the Electric System), over 37 miles of underground lines, 5 fiber circuit miles (budgeted for installation FY2022), and 1 substation. The City performs continued maintenance on its distribution system to sustain service reliability.

***Dispatch and Scheduling.*** As noted above, the City is part of the NCPA power pool, pursuant to which NCPA provides scheduling and dispatch services to the Electric System.

### **Service Area, Customer Base and Demand**

***Service Area.*** The Electric System serves an area of approximately 4 square miles, which is coterminous with the City's borders (except for one legacy customer located outside City limits). As of June 30, 2021, the Electric System served approximately 8,100 customers. See APPENDIX D for background and demographic information about the City and the surrounding area.

***Customer Base.*** The Electric System's customer base is a mixture of residential and commercial customers, and has been very stable in recent years. No major new development is planned within the service area and the Electric System has excess capacity available to meet anticipated future demand needs.

**Historical Customers Sales and Peak Demand.** The average number of customers, electricity sales measured in megawatt-hours (“MWh”) and in revenues, and peak demand during the past five fiscal years, is listed below.

**Table 3  
Customers, Sales and Peak Demand  
Fiscal Years 2016-17 through 2020-21**

	2016-17	2017-18	2018-19	2019-20	2020-21
Number of Customers:					
Residential	6,152	6,311	6,591	6,469	6,568
Commercial	<u>1,623</u>	<u>1,571</u>	<u>1,626</u>	<u>1,551</u>	<u>1,650</u>
	7,775	7,882	8,217	8,020	8,218
Sales (MWh):					
Residential	38,208	39,308	35,273	36,638	40,753
Commercial	<u>69,347</u>	<u>69,188</u>	<u>74,323</u>	<u>72,189</u>	<u>70,376</u>
	107,555	108,496	109,596	108,827	111,129
Revenues (\$):					
Residential	\$5,143,205	\$5,494,052	\$5,441,309	\$5,435,169	\$6,102,579
Commercial	<u>9,288,858</u>	<u>9,740,280</u>	<u>10,062,923</u>	<u>9,586,811</u>	<u>9,872,528</u>
	\$14,432,063	\$15,234,332	\$15,504,232	\$15,021,980	\$15,975,107
Peak Demand (MW)	33.14 MW	33.07 MW	32.95 MW	32.02 MW	30.86 MW

Source: City of Ukiah.

**Ten Largest Customers.** The ten largest customers of the Electric System for the most recently ended fiscal year are set forth in the following table.

**Table 4  
Ten Largest Customers – Fiscal Year 2020-21  
(Alphabetical Order)**

Rate Payers	Electric Revenues (\$)	% Total Revenue <sup>(1)</sup>	Usage (kWh)	% Total kWh <sup>(2)</sup>
City of Ukiah	\$ 904,055	6%	6,319,233	6%
Costco	309,638	2%	2,474,768	2%
County of Medocino	609,301	4%	4,260,000	4%
Maverick Enterprises	290,780	2%	2,632,338	2%
Save Mart Supermarkets (Lucky's)	194,224	1%	1,674,007	2%
Save Mart Supermarkets (Food Maxx)	196,829	1%	1,554,048	1%
Safeway Stores	266,714	2%	2,089,150	2%
Ukiah Unified School District	362,708	2%	2,459,002	2%
Ukiah Valley Medical Center	844,815	5%	5,415,561	5%
Wal-Mart	189,534	1%	1,381,613	1%
<b>Total - Top 10</b>	<b>\$ 4,168,598</b>	<b>26%</b>	<b>30,259,720</b>	<b>27%</b>

(1) Based on total revenues for Fiscal Year 2020-21 of \$15,975,107

(2) Based on total kWh for Fiscal Year 2020-21 of 111,129,554.

Source: City of Ukiah.

## Electric Rates

**Rate-Setting Procedure.** The City Council has the exclusive jurisdiction to set electric rates and charges for the Electric System. The City Council reviews the Electric System’s rates periodically and makes adjustments as necessary. These rates are not currently subject to review by the California Public Utility Commission (“CPUC”), the California Energy Commission (“CEC”) the Federal Energy Regulatory Commission (“FERC”) or any other state or federal agency. See “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Rate Regulation.”

**History of Electric Utility Rates.** A history of the rates of the Electric System for the past five fiscal years are set forth in the following table. New rates were recently adopted.

**Table 5  
Electric Utility Rates  
Last Five Fiscal Years**

<b>Rate by Effective Date:</b>	<b>1/1/2017</b>	<b>7/1/2017</b>	<b>7/1/2018</b>	<b>7/1/2019</b>	<b>7/1/2020</b>
<b>Residential Rates:</b>					
Energy Rates (\$/kWh)					
Baseline quantities <sup>(1)</sup>	\$0.12040	\$0.12410	\$0.12790	\$0.13180	\$0.13580
Exceeding baseline quantities <sup>(1)</sup>	0.15800	0.16280	0.16770	0.17280	0.17800
Basic Monthly Charge (\$/mo.):					
Monthly kWh less than 200 kWh per month	\$0.50	\$0.52	\$0.54	\$0.56	\$0.58
Monthly kWh between 200 - 550 kWh per month	1.00	1.03	1.07	1.11	1.15
Monthly kWh greater than 550 kWh per month	1.50	1.55	1.60	1.65	1.70
Minimum monthly billing (\$/mo.)	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
<b>Commercial Rates (Three Categories):</b>					
<b>1. General Service</b>					
Base charge (\$/mo.)					
Single phase <sup>(2)</sup>	\$8.66	\$8.92	\$9.19	\$9.47	\$9.76
Poly-phase	9.69	9.99	10.29	10.60	10.92
X-ray machine	21.63	22.28	22.95	23.64	24.35
Energy Rates (\$/kWh)					
Winter	\$0.12663	\$0.13043	\$0.13435	\$0.13839	\$0.14255
Summer	0.17066	0.17578	0.18106	0.18650	0.19210
<b>2. General Service with Demand</b>					
Basic Charge (\$/mo.)	\$72.72	\$74.91	\$77.16	\$79.48	\$81.87
Energy Rates (\$/kWh)					
Winter	\$0.09094	\$0.09367	\$0.09649	\$0.09939	\$0.10238
Summer	0.11295	0.11634	0.11984	0.12344	0.12715
Demand charge <sup>(3)</sup> (\$/kWh)					
Winter	\$4.31	\$4.31	\$4.44	\$4.58	\$4.72
Summer	6.65	6.85	7.06	7.28	7.50
<b>3. General Large Industrial Service with Demand</b>					
Basic Charge (\$/mo.)	\$72.72	\$74.91	\$77.16	\$79.48	\$81.87
Energy Rates (\$/kWh)					
Winter	\$0.07034	\$0.07246	\$0.07464	\$0.07688	\$0.07919
Summer	0.09235	0.09513	0.09799	0.10093	0.10396
Demand charge <sup>(3)</sup> (\$/kWh)					
Winter	\$4.18	\$4.31	\$4.44	\$4.58	\$4.72
Summer	6.65	6.85	7.06	7.28	7.50

(1) Baseline quantities are equal to 360 kWh per month.

(2) The same amount is also charged as a minimum charge for a 2nd meter.

(3) The customer is billed for demand according to the customer’s “maximum kilowatt demand” each month. The number of kW used will be recorded over 15 minute intervals, with the higher 15-minute average kW use being the maximum demand.

Source: City of Ukiah.

**Rate Comparison.** The City’s current retail electric rates are among the lowest in California and lower than other retail electric rates being charged in the region. Table 7 below sets forth a comparison between average electric rates paid by City customers and by PG&E customers.

**Table 6**  
**Electric Rate Comparison with Neighboring Utilities**  
**Based on Average Annual Rates as of June 30, 2021**

<b>Customer Type</b>	<b>Ukiah Electric System Rates</b>	<b>PG&amp;E Rates</b>	<b>% Difference</b>
Residential	\$0.150	0.283	89%
Commercial	0.126	0.277	121%
Industrial	0.129	0.242	88%

*Source: City of Ukiah.*

**Rate Stabilization Cash Reserve.** In addition to 100% cost recovery through the rates, the Electric System maintains a 180-day rate stabilization cash balance to reduce the impact of energy cost fluctuations.

**Rate Study and Recently-Approved Rate Increases.** A new rate study was recently performed for the Electric System. The rate study proposed rate increases of approximately 9% per year starting April 1, 2022 through April 1, 2026. On February 2, 2022, the City Council of the City adopted the proposed rates for the Electric System. Beginning with the April 1, 2022 rate adjustment and in April of every year thereafter, the Electric Department staff will conduct a review of the rates of the Electric System to determine whether the annual adjustments adequately account for the actual increases or decreases of the Electric System’s reasonable operating costs. **[Review with City.]**

The projected anticipated rates for the Electric System are reflected in the projected debt service coverage table in Table 8.

### **Energy Efficiency and Conservation**

Under applicable law, the Electric System must set yearly goals regarding energy efficiency and conservation measures. Accordingly, the City has a full portfolio of public benefits programs, addressing the following areas of concentration required by State law: energy efficiency programs, renewable energy production, demand reduction, advanced electric technology demonstration, research and development, and low income assistance programs. Residential and commercial energy efficiency offerings focus primarily on summer period consumption reduction and include programs for both existing facilities and new construction.

The City is also required to develop ten-year plans for energy efficiency goals and report on these goals to the California Energy Commission (“**CEC**”) with updates every four years. The CEC has the obligation to develop energy efficiency goals for the entire state, after consultation with utilities and others. The City must report annually to its customers and to the CEC, its investment in energy efficiency and demand reduction programs.

For additional details, see “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY.”

## **Risk Management; Insurance**

The Electric System, like the City more generally, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City is a member of the California Intergovernmental Risk Authority (“**CIRA**”). CIRA is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of CIRA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. The City pays an annual premium to CIRA for its workers’ compensation, general liability, and property coverage. The City of Ukiah participates in the following three CIRA programs: (1) General Liability Insurance; (2) Workers’ Compensation Insurance; and (3) Property Insurance.

For additional details, including certain insurance coverages, see “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR 2020-21.”

## **Wildfire Mitigation Measures**

The City owns and operates only 1/4 mile of transmission lines. No City of Ukiah Electric System facilities have been the cause of any wildfires experienced in California. Within municipal boundaries of the City, the primary geographical area of the Electric System, only 10% of the Electric System’s overhead electrical lines and equipment are located in a Tier 2 California Public Utilities Commission (“**CPUC**”) designated fire-threat area, which are the areas where there is a higher risk (including likelihood and potential impacts on people and property) from utility-related wildfires. The City is currently in compliance with all applicable law regarding wildfire mitigation, including preparation of a wildfire mitigation plan in accordance with the requirements of applicable law.

For additional details, see “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Wildfire Mitigation Measures” and “BOND OWNERS’ RISKS – Environmental Risks.”

## **Capital Improvement Plan**

The City has a comprehensive 5-year capital improvement plan (“CIP”) that includes all capital projects of the City, including those for the Electric System. Based on the most recent CIP updated in July 2020, the Electric System plans on undertaking various key capital projects over the 5-year CIP timeline, including the following:

- Service Center remodel and facility improvement project (\$1,960,000)
- Renewable resource (solar) development project (\$3,800,000)
- Hydroelectric plant warehouse and shop project (\$190,000)
- Substation site development project (\$320,000)
- Gobbi material yard project (\$45,000)

These costs are anticipated to be financed using a combination of the proceeds of the Bonds, as well as on a pay-as-you-go basis using Electric System revenues. See “FINANCING PLAN” for more details on the anticipated uses of the Bond proceeds.

## ELECTRIC SYSTEM FINANCIAL INFORMATION

### Significant Accounting Policies

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Electric System is accounted for as an enterprise fund. Enterprise funds are used to account for operations (i) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges) or (ii) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Electric Fund uses the accrual method of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

### Audited Financial Statements

The City's Financial Statements for Fiscal Year 2020-21 were audited by Van Lant & Fankhanel, LLP, Certified Public Accountants, Murrieta, California (the "Auditor"), in accordance with generally accepted auditing standards, and contains opinions that the financial statements present fairly the financial position of the various funds maintained by the City. The reports include certain notes to the financial statements, which are not fully described below. Such notes constitute an integral part of the audited financial statements. The City's Audited Financial Statements for Fiscal Year 2020-21 are attached as APPENDIX B to this Official Statement. *The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the Electric System. In addition, the Auditor has not reviewed this Official Statement.*

### Financial Policies

**Investment Policy.** The cash attributable to the Electric System must be invested in accordance with the City's Investment Policy. Pursuant to the Investment Policy, the City strives to maintain a level of investment of all idle funds, less required reserves, as near 100% as possible, through daily and projected cash flow determinations. Idle cash management and investment transactions are the responsibility of the City Treasurer. Criteria for selecting investments and the order of priority are: (1) Safety -- Preservation of principal and interest; (2) Liquidity -- Ability to convert investment to cash at any moment in time; (3) Yield -- Potential dollar earnings on an investment.

## Retirement Benefits

*Much of the following information concerning the California Public Employees' Retirement System ("CalPERS") is excerpted from publicly available sources, which the City believes to be accurate. CalPERS should be contacted directly at CalPERS, Lincoln Plaza, 400 Q Street Room 1820, Sacramento, CA 95811, Telephone: (888) 225-7377 for other information, including information relating to its financial position and investments.*

**Overview.** Substantially all permanent City employees, including those employees assigned to the Electric System, are eligible to participate in pension plans offered by CalPERS, an agent-multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State. CalPERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. Copies of CalPERS annual financial reports may be obtained from its Executive Office located at 400 Q Street Room 1820, Sacramento, CA 95811. Such report is not incorporated herein and does not constitute part of this Official Statement.

The City's employees participate in the separate Safety (for its police and fire employees) and Miscellaneous (for all other employees) employee plans. Benefit provisions under both plans are established by State statute and City resolution. Benefits are based on years of credited service; one year of credited service is equal to one year of full-time employment.

**Contributions to Miscellaneous Plan.** The City's required contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase Ukiah's required contributions to CalPERS in future years. Accordingly, the City's cannot provide any assurances that the City's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

On December 21, 2016, the CalPERS Board of Administration voted to lower the pension plan's assumed rate of return for purposes of its actuarial valuations from 7.5% to 7.0% by 2020 (which reduction has been phased in over the period from Fiscal Year 2017-18 to 2019-20). CalPERS estimated that with a reduction in the rate of return to 7.0%, most employers could expect a 1% to 3% increase in the percentage of payroll contribution for the normal cost for miscellaneous plans. As a result, required contributions of employers, including the City, toward unfunded accrued liabilities, and as a percentage of payroll for normal costs, are expected to increase. Future costs could also be increased in the event that a sustained deterioration in global stock market values as an economic consequence of the COVID-19 pandemic negatively impacts the market value of assets held to fund the City's pension plans, requiring future unanticipated increases in required plan contributions. See "BOND OWNERS' RISKS – COVID-19 Pandemic."

The Electric System's estimated allocated share of the City's contributions to the Miscellaneous Plan for the Fiscal Year ending June 30, 2021 is estimated at \$ \_\_\_\_\_ (unaudited).

**Net Pension Liability.** Under GASB No. 68, the City is required to report the Net Pension Liability (*i.e.*, the difference between the Total Pension Liability and the Pension Plan's Net Position or market value of assets) in its financial statements. The Electric System's estimated allocated share of the Net Pension Liability of the City with respect to the Miscellaneous Plan as of June 30, 2021 is estimated at \$\_\_\_\_\_ (unaudited).

For additional information relating to the City's retirement plans, including discount rates and other assumptions, see "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR 2020-21."

## **No OPEB**

The City does not provide any other post-employment benefits (OPEB) to its retirees and, accordingly, neither does the Electric System.

## **Outstanding Long-Term Obligations**

**Obligations Payable as Operation & Maintenance Costs.** As described above under "THE ELECTRIC SYSTEM – Sources of Power Supply," the City participates in a number of NCPA power generation projects, pursuant to which the City pays its entitlement share of (1) the debt service on long-term obligations issued by NCPA for the project and (2) the operations and maintenance costs of the project. The obligations of the City under its agreements with NCPA constitute Operation and Maintenance Costs of the Electric System payable on a senior basis to any of the payments required to be made under the Installment Sale Agreement, including the Installment Payments payable from the Net Revenues that secure the Bonds.

The agreements with NCPA are on a "take or pay" basis, which requires payments to be made whether or not projects are operable, or whether output from such projects is suspended, interrupted or terminated. Certain of these agreements contain "step up" provisions obligating the City to pay a share of the obligations of a defaulting participant and granting the City a corresponding increased entitlement to electricity (generally, the City's "step-up" obligation is limited to 25% of the City's scheduled payments on such obligations).

A portion of the NCPA Hydroelectric Project bonds in the principal amount of approximately \$79.2 million are variable rate debt, liquidity support for which is provided through a liquidity arrangement with a bank. Unreimbursed draws under such liquidity arrangement bear interest at a maximum rate substantially in excess of the current interest rates on such variable rate joint powers agency bonds. Moreover, in certain circumstances, the failure to reimburse draws on the liquidity agreement may result in the acceleration of the scheduled payment of the principal of such variable rate joint powers agency bonds. In connection with such variable rate joint powers agency bonds, NCPA has entered into an interest rate swap agreement for the purposes of substantially fixing the interest cost with respect to such bonds. There is no guarantee that the floating rate payable pursuant to such interest rate swap agreement will match the variable interest rate on the related variable rate joint powers agency bonds at all times or at any time. Under certain circumstances, the swap provider may be obligated to make payments under the interest rate swap agreement that is less than the interest due on the associated variable rate joint powers agency bonds. In such event, such insufficiency will be payable as a debt service obligation from the obligated joint powers agency members (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from the City). In addition, under certain circumstances, the swap agreement is subject to early termination, in which event NCPA could be obligated to make a substantial payment to the applicable swap

provider (a corresponding amount of which proportionate to its debt service obligations to such joint powers agency could be due from the City).

The City's participation and share of debt service obligation (without giving effect to any "step up" provisions) for each of the joint powers agency projects in which it participates are shown in the following table.

**Table 7**  
**Outstanding Debt of Joint Powers Agencies**  
**As of June 30, 2021**

	<u>Outstanding Debt<sup>(1)</sup></u>	<u>Ukiah Participation<sup>(2)</sup></u>	<u>Ukiah Share of Outstanding Debt</u>
NCPA			
The Geysers Project	\$ 11,918,503	5.61%	\$ 668,628
Calaveras Project	287,125,000	2.04%	5,857,350
Lodi Energy Center Project	563,651,620	1.79%	10,089,364
CT-1 Project	0.00	9.09%	0.00
TANC			
Transmission Project	2,517,565	0.303%	7,628
TOTAL	<u>\$865,212,688</u>		<u>\$16,622,970</u>

(1) Principal only. Does not include obligation for payment of interest on such debt or payment of share of operations and maintenance costs of each applicable project.

(2) Participation based on actual debt service obligation. Participation obligation is subject to increase upon default of another project participant. Such increase shall not exceed, without written consent of a non-defaulting participant, an accumulated maximum of 25% of such non-defaulting participant's original participation.

Source: City of Ukiah.

**Parity Obligations.** The Installment Payments are the only obligation currently secured by the Net Revenues of the Electric System. However, in the future, the City have issue or incur additional long-term obligations payable from the Net Revenues on a parity basis, subject to the conditions set forth in the Installment Sale Agreement. See "SECURITY FOR THE BONDS – Conditions to Issue Additional Parity Debt."

### Revenues, Expenses and Debt Service Coverage

The following presents a summary of the revenues, expenses, and debt service coverage for the City's Electric Fund for the prior five fiscal years on a historical basis and projected for the current and future fiscal years. This table is based on historic operating results, where applicable, of the Electric System, but is presented on a cash basis consistent with the definitions of Gross Revenues and Operation and Maintenance Costs as defined in the Installment Sale Agreement, and as such, does not match the audited financial statements of the Electric System.

The projections in the table are based on the following assumptions, among others:

- Rate increases are implemented on April 1 of each of the years April 1, 2022 through April 1, 2026.
- No other debt is issued during the projection period.

**Table 8**  
**Pro Forma Historical and Projected Revenues, Expenses and Debt Service Coverage**  
**Fiscal Years 2016-17 through Fiscal Year 2025-26**

	Pro Forma Historical (Audited)					Projected				
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
<b>Revenues</b>										
Charges for Services	\$15,085,258	\$15,814,986	\$16,100,036	\$15,581,664	\$16,677,722	\$16,563,150	\$19,698,564	\$21,552,732	\$23,580,554	\$25,798,165
Other	1,280	52,693	329,021	200,941	2,483	100,000	100,000	100,000	100,000	100,000
Interest Income	137,499	148,433	202,498	274,557	123,643	100,000	100,000	100,000	100,000	100,000
Total Revenues	15,224,037	16,016,112	16,631,555	16,057,162	16,803,848	16,763,150	19,898,564	21,752,732	23,780,554	25,998,165
<b>Operating Expenses<sup>(1)</sup></b>										
General and Administrative	2,999,983	1,766,740	1,887,135	2,289,143	2,566,491	2,700,000	2,889,000	3,033,450	3,185,123	3,344,379
Maintenance and Operations	12,962,188	12,850,945	14,422,571	14,150,936	14,755,022	15,653,670	16,179,131	16,425,474	16,746,261	16,440,701
Total Operating Expenses	15,962,171	14,617,685	16,309,706	16,440,079	17,321,513	18,353,670	19,068,131	19,458,924	19,931,383	19,785,079
<b>Net Revenue</b>	<b>(\$738,134)</b>	<b>\$1,398,427</b>	<b>\$321,849</b>	<b>(\$382,917)</b>	<b>(\$517,665)</b>	<b>(\$1,590,520)</b>	<b>\$830,433</b>	<b>\$2,293,808</b>	<b>\$3,849,171</b>	<b>\$6,213,086</b>
<b>Debt Service*</b>										
2022 Bonds*	\$0	\$0	\$0	\$0	\$0	\$0	\$388,908	\$548,000	\$546,250	\$544,250
<b>Debt Service Coverage Ratio*</b>	--	--	--	--	--	--	<b>2.14</b>	<b>4.19</b>	<b>7.05</b>	<b>11.42</b>

\* Preliminary, subject to change.

(1) Excludes non-cash items (such as depreciation), capital expenses, and 6% in-lieu franchise tax.

Source: City of Ukiah; NHA Advisors, LLC.

## **RATE REGULATION**

The City Council sets rates, fees and charges for electric service of the Electric System. The authority of the City to impose and collect rates and charges for electric power and energy sold and delivered is not subject to the general regulatory jurisdiction of the California Public Utilities Commission (the “**CPUC**”), and currently neither the CPUC nor any other regulatory authority of the State of California nor Federal Energy Regulatory Committee (“**FERC**”) approves such rates and charges. It is possible that future legislative and/or regulatory changes could subject the rates and/or service area of the City to the jurisdiction of the CPUC or to other limitations or requirements. See “CONSTITUTIONAL LIMITATIONS ON TAXES AND FEES” for a discussion of certain voter-approved constitutional measures affecting the imposition of fees and charges by governmental agencies in the State.

FERC potentially could assert jurisdiction over rates of licensees of hydroelectric projects and customers of such licensees under Part I of the Federal Power Act, although it as a practical matter has not exercised or sought to exercise such jurisdiction to modify rates that would legitimately be charged. Even if it did assert such jurisdiction, the City’s hydroelectric resources currently constitute less than 10% of total Electric System power resources.

Under sections 210, 211, 211A, and 212 of the Federal Power Act, FERC has the authority, under certain circumstances and pursuant to certain procedures, to order certain utilities (municipal, distribution cooperative or otherwise) to provide transmission access to others at FERC-approved rates. See “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY.”

The California Energy Commission (“**CEC**”) is authorized to evaluate rate policies for electric energy as related to the goals of the Energy Resources Conservation and Development Act and to make recommendations to the Governor, the Legislature and publicly owned electric utilities.

## **FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY**

### **Rates and Charges for Service**

The City Council sets the rates, fees and charges for the electric service provided by the Electric System. The authority of the City to impose and collect rates and charges for electric power and energy sold and delivered is not subject to the general regulatory jurisdiction of the CPUC, and currently neither the CPUC nor any other State or federal regulatory authority approves such rates and charges. However, FERC could potentially assert jurisdiction over rates of licensees of hydroelectric projects (such as NCPA), which could impact the Electric System. See “RATE REGULATION” for additional details.

### **Electric Market Deregulation**

The restructuring of energy markets in the United States began in 1996 with FERC orders 888 and 889. See “– Energy Policy Acts,” below. These orders opened the electricity transmission system so that unused transmission must be made available at a cost-based rate and defined the market mechanism by which these resources would be offered and purchased. Subsequently California enacted AB 1890, the Electric Utility Restructuring Act, which transitioned two thirds of the State from a bilateral to a structured market with the creation of CAISO. This market structure redefined electricity markets in California in fundamental ways by becoming the reliability and market clearing entity for most of California.

Substantial disruptions to the CAISO electric market occurred in 2000 and 2001. The response to the disruptions was the expansion of CAISO's responsibilities to the creation of new market frameworks, implemented on April 1, 2009 as the Market Redesign and Technology Upgrade (the "**MRTU**"), and adoption of a legislative and regulatory requirement for additional reserve capacity called the Resource Adequacy Standard. The MRTU establishes enhanced unit commitment and balancing markets for energy purchases and sales. The Resource Adequacy Standard ensures that adequate levels of capacity to meet load and reserves are procured by all load serving entities in a timely manner for the purpose of avoiding future shortages.

**Western Energy Imbalance Market.** The CAISO has developed a regional real-time market service, referred to as an "Energy Imbalance Market" ("EIM"). EIM may help to optimize management of the transmission system to help balance supply and demand across a larger footprint, across multiple balancing authorities. By developing the EIM between the balancing authorities, a broad array of resources can be shared and economically dispatched through the CAISO five-minute market. According to the CAISO, the EIM has the potential to strengthen grid reliability. The purpose is to optimize the interconnected high-voltage system as market systems automatically handle electricity bottlenecks on transmission lines during the process of managing the flow of electricity.

Following FERC approval of the implementation agreement between the CAISO and PacifiCorp in June of 2013, PacifiCorp and the CAISO officially launched the EIM in November 2014. PacifiCorp, headquartered in Portland, Oregon, is a subsidiary of Berkshire Hathaway Energy and operates as a utility that serves 1.8 million customers across six western states. Since the launch of the EIM between CAISO and PacifiCorp, six additional utilities across the western United States have signed EIM implementation agreements, officially stating their intent to participate in the EIM.

In October 2016, BANC and SMUD announced their intent to initiate negotiations with the CAISO to participate in the CAISO EIM. After completing an extensive cost/benefit analysis in conjunction with its members, BANC concluded that there are benefits for some of its members and is interested in entering into an arrangement for EIM participation that would allow phasing in those members who would like to participate in the EIM. SMUD elected to be the first member to participate through BANC in the EIM.

**Other Regional Developments – Western Regional Energy Market.** California Senate Bill 350, signed into law in 2015, increased California's renewable portfolio standard to 50% by 2030 and also directed the CAISO to explore how its expansion into the wider West could help the state meet that goal. After completion of multiple studies, the CAISO determined that a regional energy market would help to advance the State's ambitious clean energy goals and to reduce the cost of energy in the western states and is an efficient, effective way to meet the demand for reliable, affordable and sustainable energy. According to the CAISO, a regional energy market would coordinate electricity systems across the West, utilizing the CAISO's infrastructure to develop one western grid.

## **State Legislation**

Bills affecting the electric utility industry are continually enacted by the California Legislature. In general, these bills have provided for reduced greenhouse gas emission standards and greater investment in energy-efficient and environmentally friendly generation alternatives through more stringent renewable resource portfolio standards. The following is a brief summary of certain of these bills. See also "– Wildfire Mitigation Measures," below.

**Greenhouse Gas Emissions.** On June 1, 2005, then Governor Schwarzenegger signed Executive Order S-3-05, which placed an emphasis on such efforts to reduce greenhouse gas emissions by establishing statewide greenhouse gas reduction targets. The targets are: (i) a reduction to 2000 emissions levels by 2010; (ii) a reduction to 1990 levels by 2020; and (iii) a reduction to 80% below 1990 levels by 2050. The Executive Order also called for the California Environmental Protection Agency to lead a multi-agency effort to examine the impacts of climate change on California and develop strategies and mitigation plans to achieve the targets. On April 25, 2006, the Governor also signed Executive Order S-06-06, which directs the State to meet a 20% biomass utilization target within the renewable generation targets of 2010 and 2020 for the contribution to greenhouse gas emission reduction.

On September 27, 2006, then Governor Schwarzenegger signed into law Assembly Bill 32 (“**AB 32**”), the Global Warming Solutions Act of 2006. AB 32 requires all California utilities to inventory and report greenhouse gas emissions beginning January 1, 2008 and requires the California Air Resources Board (“**CARB**”) to adopt enforceable greenhouse gas emission limits and emission reduction measures by regulation in order to reduce greenhouse gas emissions to 1990 levels by 2020. In December 2008, the CARB adopted the AB 32 Scoping Plan, which serves as California’s blueprint for reducing greenhouse gas emissions. The Scoping Plan called for essential complementary measures along with the creation of a cap-and-trade program and is revised every 5 years as CARB proceeds with its next task of designing the mechanisms for returning the State to 80% below 1990 levels by 2050 as directed in Executive Order S-3-05. On December 14, 2010, CARB initially adopted regulations approving the cap-and-trade program for California. The CARB regulations became enforceable on January 1, 2012.

On September 8, 2016, then Governor Schwarzenegger signed Senate Bill 32, the Global Warming Solutions Act of 2006, and Assembly Bill 197, State Air Resource Board: Greenhouse Gasses, which together established a statewide greenhouse gas emission reduction target to reduce greenhouse gas emissions to 40 percent below 1990 levels by 2030 to ensure California continues moving towards its target of reducing greenhouse gas emissions to 80 percent below 1990 levels by 2050.

This legislation is currently being implemented by the cap-and-trade program established through a series of regulations. Under the cap-and-trade program where CARB creates one allowance for each ton of carbon dioxide-equivalent greenhouse gases (“**CO2e**”) up to the target level of CO2e for a given year (the cap) and parties responsible for CO2e emissions must purchase one allowance for each ton of CO2e they produced in either an auction or bilateral market (the trade). The cap declines each year. By reducing amount of available allowances through time, the state is able to meet its emission reduction targets.

The cap-and-trade program includes the distribution of carbon allowances. Each allowance is equal to one metric ton of CO2e. Initially, most of the carbon allowances are distributed for free. Additional allowances are auctioned quarterly, which began in November 2012. Utilities can acquire more carbon allowances at these auctions. They are then required to purchase allowances to meet their compliance obligations, and use any remaining proceeds from the sale of their allocated allowances for the benefit of their ratepayers. Publicly-owned electric utilities (“**POU**”) that do not sell into the CAISO markets (such as the Electric System) have three options (which are not mutually exclusive) once their allocated allowances are distributed to them. They can (i) place allowances in their compliance accounts to meet compliance obligations for plants they operate directly, (ii) place allowances in the compliance account of a joint powers

agency or public power utility that generates power on their behalf, and/or (iii) auction the allowances and use the proceeds to benefit their ratepayers.

In July 2017, then-Governor Brown signed into law Assembly Bill 398 (“**AB 398**”), which extends the cap-and-trade regulations from 2021 to 2030. The bill passed both chambers with a 2/3 supermajority vote, which protects the legislation from certain legal challenges. Under AB 398, CARB was directed to address the following: establish a price ceiling, offer non-tradeable allowances at two price containment points below the price ceiling, transfer current vintages unsold for more than 24 months to the allowance price containment reserve, evaluate and address allowance over-allocation concerns, set industry assistance factors for allowance allocation, and establish allowance banking rules. Under AB 398, CARB was directed to include cost containment provisions to keep allowance prices from rising too high and pushing business expansion outside of the state (referred to as “leakage”). AB 398 was passed in conjunction with AB 617, which strengthens the monitoring of criteria air pollutants and toxic air contaminants in local communities. Amendments to the cap-and-trade regulations to reflect the requirements of AB 398 were adopted by CARB and went into effect on April 1, 2019.

On September 29, 2006, then Governor Schwarzenegger signed into law Senate Bill 1368 (“**SB 1368**”), the Greenhouse Gas Emissions Performance Standard. SB 1368 sets a greenhouse gas emission performance standard (“**EPS**”) for baseload electric generating resources. Any new investment in baseload generation or contract for baseload generation with a term of over five years must have greenhouse gas emissions at or below that of a baseload, combined cycle power plant. The CEC has established the EPS and associated compliance methodologies for the publicly-owned utilities. The CPUC has the similar responsibility for the IOUs.

**Energy Procurement and Efficiency Reporting.** Senate Bill 1037 (“**SB 1037**”), signed by the Governor on September 29, 2005, requires that each POU, including the City, prior to procuring new energy generation resources, first acquire all available energy efficiency, demand reduction and renewable resources that are cost effective, reliable and feasible. SB 1037 also requires each municipal electric utility to report annually to its customers and to the CEC its investment in energy efficiency and demand reduction programs. Further, Assembly Bill 2021 (“**AB 2021**”), signed by the Governor on September 29, 2006 requires that POUs establish, report, and explain the basis of the annual energy efficiency and demand reduction targets by June 1, 2007 and every four years thereafter (as amended) for a ten year horizon. Reporting requirements per AB 2021 include: (i) the identification of sources of funding for the investment in energy efficiency and demand reduction programs, (ii) the methodologies and input assumptions used to determine cost-effectiveness, and (iii) the results of an independent evaluation to measure and verify energy efficiency savings and demand reduction program impacts. The information obtained from local publicly-owned utilities from these reporting requirements is utilized by the CEC to present the progress made by the POUs towards the statewide goal to double energy efficiency savings in electricity and natural gas final end uses by 2030, to the extent doing so is cost effective, feasible, and does not adversely impact public health and safety, as prescribed in SB 350. In addition, the CEC can provide recommendations for improvement to assist each POU in achieving cost-effective, reliable, and feasible savings in conjunction with the established targets for reduction.

**California New Construction Standards** California has continually increased the energy efficiency of new construction and appliances since the Warren Alquist Act of 1974. These standards require the implementation of Zero Net Energy (“**ZNE**”) residential new construction. ZNE homes are energy efficient homes combined with distributed generation, predominantly

rooftop solar generation, sized so that over the year building consumption is approximately equal to building generation.

**Renewable Portfolio Standards (“RPS”).** SBX1-2, the California Renewable Energy Resources Act, and its successor SB 350, the Clean Energy and Pollution Reduction Act of 2015, codify the RPS target for retail electricity sellers to serve 50% of their loads with eligible renewable energy resources by 2030. Subsequent legislation, SB 100, signed into law in 2018, increased California’s renewable portfolio standard to 60% by 2030 and 100% carbon free by 2045. The CEC is actively engaged in its rulemaking process for the SB 100 update to the RPS. It is expected that these rules will be implemented later in 2020. These laws make the requirements of the RPS program applicable to POUs (rather than just prescribing that POUs meet the intent of the legislation as under previous statutes). However, the governing boards of POUs are responsible for implementing the requirements, rather than the CPUC, as is the case for the IOUs. In addition, certain enforcement authority with respect to POUs is given to the CEC and CARB, including authority to impose penalties. Each POU must adopt and implement a renewable energy resource procurement plan. See “THE ELECTRIC SYSTEM – Sources of Power Supply” above.

The CEC, collaboratively with the Western Governors’ Association and the Western Electricity Coordinating Council (“WECC”), has undertaken the development and establishment of the Western Renewable Energy Generation Information System, which issued to ensure the integrity of RECs and prevent the double counting of the certificates. The electronic tracking system became operational in June of 2007.

The ambitious renewable goals in California have been primarily met with solar, and to a lesser degree, wind resources. These resources are classified by the term Variable Energy Resource (“VERs”). Solar and wind resources generally produce energy not when an operator directs them, but when the fuel source (in this case sunlight and wind) are available. In the case of solar energy, photovoltaic power plants only produce electricity between dawn and dusk, and can vary power output very quickly when a cloud passes over. This creates two challenges. First solar energy increases rapidly in the morning and decreases rapidly in the afternoon, when customer needs are increasing. Secondly, the amount of solar energy produced can vary quickly and unexpectedly as the weather changes. To address the challenge of rapidly changing power output, FERC passed order 764 in 2014. This ruling required markets to offer 15 minute trading in addition (or in place of) hourly trading. The more granular market allows the market to react better to the variable nature of solar and wind resources. The CAISO implemented a 15 minute market and in addition offered a 5 minute and 15 minute Energy Imbalance Market outside the CAISO region.

SB 350 also requires POUs over a certain size to produce an Integrated Resource Plan (“IRP”), reviewed in a public forum and delivered to the CEC for comment. This plan must address a number of requirements in this and other legislation, including: ensuring procurement of 50% renewable resources by 2030; demonstrating activity reflecting electricity sector’s responsibility meeting the State’s economy-wide greenhouse gas reduction goals to 40% below 1990 GHG levels by 2030; fulfilling obligations to serve customers at just and reasonable rates and minimizing impacts to ratepayers bills; ensuring system and local reliability; strengthening the diversity, sustainability, and resilience of the bulk transmission, distribution systems and local communities; minimizing localized air pollutants and other greenhouse gas emissions with early priority to disadvantaged communities; and addressing procurement of each of the following: (i) efficiency and demand resources that are cost effective, reliable and feasible, (ii) energy storage, (iii) transportation electrification, (iv) a diversified procurement portfolio of short term

electricity, long term electricity, and demand response products, and (v) resource adequacy requirements.

**Solar Power.** The California State Legislature enacted Senate Bill (“**SB 1**”) in 2006 to encourage the installation of 3,000 MW of photovoltaic (PV) solar energy by the year 2017. SB 1 requires all publicly-owned utilities to adopt, finance, and implement a solar initiative program for the purpose of investing in and encouraging the increased installation of residential and commercial solar energy systems. POUs were required to commence a solar initiative program in order to establish the funding of solar energy systems receiving ratepayer funded incentives, which commenced no later than January 1, 2008. A POU was given the choice of selecting an incentive based on the installed capacity, starting at \$2.80 per watt, or based on the energy produced by the solar energy system, measured in kWh. Incentives are required to decrease at a minimum average rate of 7% per year.

**Smart Grid and Advanced Metering Infrastructure.** In 2007 and 2008, CEC held rulemaking proceedings for the definition of load management standards for Advanced Metering Infrastructure (“**AMI**”) and for demand response. The CEC was evaluating the use of advanced technologies for operation and maintenance of the electric grid and impacts to California electricity customers. The largest IOUs in California have deployed smart meters for gas and electric services, and several POUs have implemented such technology.

**Resource Adequacy.** In September 2005, the California Legislature enacted and the Governor signed into law Assembly Bill 380 (“**AB 380**”), which requires the CPUC to establish resource adequacy requirements for all load-serving entities (“**LSEs**”) within the CPUC’s jurisdiction. In addition, AB 380 requires POUs, including the City, to meet the most recent resource adequacy standard as adopted by the WECC. In October 2005, the CPUC issued a decision stating that LSEs under its jurisdiction would be required, by June 2006, to demonstrate that they have acquired capacity sufficient to serve their forecast retail customer load plus a 15% reserve margin. The WECC has yet to formally adopt a resource adequacy requirement.

## Energy Policy Acts

**Energy Policy Act of 1992.** The Energy Policy Act of 1992 (the “**Energy Policy Act**”) made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access under Sections 211, 212 and 213 of the Federal Power Act. The purpose of these changes, in part, was to bring about increased competition in the electric utility industry.

As amended by the Energy Policy Act, Sections 211, 212 and 213 of the Federal Power Act provide FERC authority, upon application by any electric utility, federal power marketing agency or other person or entity generating electric energy for sale or resale, to require a transmitting utility to provide transmission services (including any enlargement of transmission capacity necessary to provide such services) to the applicant at rates, charges, terms and conditions set by FERC based on standards and provisions in the Federal Power Act. Under the Energy Policy Act, electric utilities owned by municipalities and other public agencies which own or operate electric power transmission facilities which are used for the sale of electric energy at wholesale are “transmitting utilities” subject to the requirements of Sections 211, 212 and 213. See also “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY – Rate Regulation.”

**Energy Policy Act of 2005.** Although the Electric System is exempt from most federal rate regulation pursuant to Section 201(f) of the Federal Power Act, the Energy Policy Act of 2005

("EPACT 2005") imposed specific exceptions. In particular, FERC was given authority over the behavior of market participants. Under FERC's authority it can impose penalties on any seller for using a manipulative or deceptive device, including market manipulation, in connection with the purchase or sale of energy or of transmission service. The Commodity Futures Trading Commission ("CFTC") also has jurisdiction to enforce certain types of market manipulation or deception claims under the Commodity Exchange Act.

EPACT 2005 authorized FERC to issue permits to construct or modify transmission facilities located in a national interest electric transmission corridor if FERC determines that the statutory conditions are met. EPACT 2005 also required the creation of an electric reliability organization ("ERO") to establish and enforce, under FERC supervision, mandatory Reliability Standards to increase system reliability and minimize blackouts. The Reliability Standards apply to users, owners and operators of the Bulk-Power System, as more specifically set forth in each Reliability Standard. On February 3, 2006, FERC issued Order 672, which certified NERC as the ERO. Many Reliability Standards have since been approved by FERC. The Reliability Standards include requirements related to cybersecurity of systems that could affect the reliable operation of the electric grid.

The ERO or the entities to which NERC has delegated enforcement authority through an agreement approved by FERC ("**Regional Entities**"), such as the WECC, may enforce the Reliability Standards, subject to FERC oversight, or FERC may independently enforce them. Potential monetary sanctions include fines in excess of \$1 million per violation per day. FERC Order 693 further provided the ERO and Regional Entities with the discretion necessary to assess penalties for such violations, while also having discretion to calculate a penalty without collecting the penalty if circumstances warrant.

### **Federal Cybersecurity Policy**

On February 13, 2013, then President Obama issued an Executive Order entitled "Improving Critical Infrastructure Security." The Executive Order calls for improved sharing and processing of security clearances for owners and operators of critical infrastructure. As required by the Executive Order, the National Institute of Standards and Technology ("**NIST**") is leading the development of a framework to reduce cyber risks to critical infrastructure.

On December 18, 2015, then President Obama signed the Cybersecurity Information Sharing Act, which creates an industry-supported, voluntary cybersecurity information sharing program which facilitates the secure sharing of cyber-related threat information among both public and private sector entities. See also "BOND OWNERS' RISKS – Cybersecurity."

### **Wildfire Mitigation Measures**

Senate Bill 1028 ("**SB 1028**") was signed into law by then-Governor Brown in September 2016. SB 1028 requires that each POU and each electric cooperative in the State construct, maintain, and operate its electrical lines and equipment in a manner that will minimize the risk of catastrophic wildfire posed by those electrical lines and equipment. SB 1028 requires the governing board of each POU to determine, based on historical fire data and local conditions, and in consultation with the fire departments or other entities responsible for the control of wildfires within the geographical area where the utility's overhead electrical lines and equipment are located, whether any portion of that geographical area has a significant risk of wildfire resulting from those electrical lines and equipment, and if so, to present for board approval wildfire

mitigation measures the utility intends to undertake to minimize the risk of its overhead electrical lines and equipment causing a catastrophic wildfire.

California Senate Bill 901 (“**SB 901**”) was signed into law by then-Governor Brown in September 2018. SB 901 amends certain provisions of SB 1028 requiring POUs and electric cooperatives to prepare wildfire mitigation measures if the utilities’ overhead electrical lines and equipment are located in an area that has a significant risk of wildfire resulting from those electrical lines and equipment. Under SB 901, each POU or electric cooperative is required to prepare before January 1, 2020 and annually thereafter, a wildfire mitigation plan. SB 901 requires specified information and elements to be considered as necessary, at minimum, in the wildfire mitigation plan. The POU or electric cooperative is required to present each wildfire mitigation plan in an appropriately noticed public meeting, and to accept comments on its wildfire mitigation plan from the public, other local and state agencies, and interested parties. In addition, SB 901 requires the POU or electric cooperative to contract with a qualified independent evaluator with experience in assessing the safe operation of electrical infrastructure to review and assess the comprehensiveness of its wildfire mitigation plan. The report of the independent evaluator is to be made available to the public and to be presented at a public meeting of the POU’s governing board.

Assembly Bill 1054 (“**AB 1054**”) was signed into law by Governor Newsom in July 2019. AB 1054 establishes a Wildfire Fund for IOUs to facilitate payment of eligible, uninsured third-party damage claims resulting from future catastrophic wildfires. Participation in the Wildfire Fund is exclusive to IOUs. AB 1054 expands on the existing requirements for POUs established under SB 901 for wildfire mitigation plans. AB 1054 requires each POU, by July 1 of each year, to submit its wildfire mitigation plan to a newly created California Wildfire Safety Advisory Board (the “**Wildfire Advisory Board**”) for review and comment. Under AB 1054, the Wildfire Advisory Board is required to provide comments and an advisory opinion to each POU regarding the content and sufficiency of its plan and to make recommendations on the mitigation of wildfire risks. AB 1054 requires each POU to comprehensively revise its wildfire mitigation plan at least once every three years.

SB 1028, SB 901 and AB 1054 do not address the existing liability of utilities for wildfires. How any future legislation addresses California’s inverse condemnation and “strict liability” issues for utilities in the context of wildfires in particular could be significant for the electric utility industry.

### **Other Environmental Issues**

**General.** Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures that regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that any City facility or project will remain subject to the laws and regulations currently in effect, will always be in compliance with future laws and regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in additional capital expenditures, reduced operating levels or the shutdown of individual units not in compliance. In addition, increased environmental laws and regulations may create certain barriers to new facility development, may require modification of existing facilities and may result in additional costs for affected resources.

**Greenhouse Gas Regulations Under the Clean Air Act.** The United States Environmental Protection Agency (the “**EPA**”) regulates GHG emissions under existing law by imposing monitoring and reporting requirements, and through its permitting programs. Like other

air pollutants, GHGs are regulated under the Clean Air Act through the Prevention of Significant Deterioration (“**PSD**”) Permit Program and the Title V Permit Program. A PSD permit is required before commencement of construction of new major stationary sources or major modifications of a major stationary source and requires best available control technologies (“**BACT**”) to control emissions at a facility. Title V permits are operating permits for major sources that consolidate all Clean Air Act requirements (arising, for example, under the Acid Rain, New Source Performance Standards, National Emission Standards for Hazardous Air Pollutants, and/or PSD programs) into a single document and the permit process provides for review of the documents by the EPA, state agencies and the public. GHGs from major natural gas-fired facilities are regulated under both permitting programs through performance standards imposing efficiency and emissions standards.

On October 23, 2015, under the Obama Administration, the EPA published the Clean Power Plan and final regulations for (1) carbon pollution standards for new, modified, and reconstructed power plants, and (2) carbon pollution emission guidelines for existing electric generating units (“**EGUs**”). The total national emissions reduction goal under the Clean Power Plan targeted an average of a 32% reduction from 2005 levels by 2030, with incremental interim goals for the years from 2022 through 2029. The Clean Power Plan allowed states multiple options for measuring reductions and established different reduction goals depending upon the regulatory program set forth in the state plan.

On March 28, 2017, President Trump signed the Executive Order on Energy Independence (E.O. 13783), which called for a review of the Clean Power Plan. On October 16, 2017, a Notice of Proposed Rulemaking was published in the Federal Register that proposed to repeal the Clean Power Plan, under the premise that it exceeded EPA’s statutory authority under Section 111 of the Clean Air Act. On December 28, 2017, an Advance Notice of Proposed Rulemaking was published in the Federal Register proposing a new GHG emission limit rule for existing EGUs. On June 19, 2019, the EPA issued the final rule, known as the “Affordable Clean Energy” rule, which became effective on September 6, 2019.

The final Affordable Clean Energy rule: (i) replaces the Clean Power Plan with revised emissions guidelines that inform the development, submittal, and implementation of state plans to reduce GHG emissions from fossil fuel steam EGUs, primarily coal-fired plants; and (ii) implements new regulations that provide direction to both the EPA and the states on the implementation of emission guidelines. The final rule identifies heat rate improvements as the best system of emission reduction from coal-fired power plants, to be made at the individual facilities. Under the Affordable Clean Energy rule, states will have three years to submit implementation plans. The EPA will have 12 months to approve or disapprove a state’s plan.

A number of environmental advocates and state attorneys general have filed lawsuits challenging the Affordable Clean Energy rule. The City is unable to predict the outcome of any ongoing legal challenges to the EPA rulemaking regulating GHG emissions from electric generating units and other stationary sources would have on the City’s Electric System or, given the legal uncertainty regarding the Affordable Clean Energy rule, what the ultimate impact of any federal rulemaking will be.

***Air Quality – National Ambient Air Quality Standards.*** The Clean Air Act requires that the EPA establish National Ambient Air Quality Standards (“**NAAQS**”) for certain air pollutants. When a NAAQS has been established, each state must identify areas in its state that do not meet the EPA standard (known as “non-attainment areas”) and develop regulatory measures in its state implementation plan to reduce or control the emissions of that air pollutant

in order to meet the standard and become an “attainment area.” For example, on January 7, 2010, the EPA released a draft rule proposing stricter NAAQS for ground-level ozone, the main component of smog. On September 2, 2011, President Obama directed the EPA to withdraw its proposal for stricter NAAQS for ozone. As a result of this withdrawal, the EPA resumed the process of issuing non-attainment designations for the ozone NAAQS under the standard set in 2008.

## **PG&E Bankruptcy**

*The following statements in this section regarding PG&E's financial condition, potential wildfire liabilities, and its actions and developments in connection with PG&E's voluntary bankruptcy filing have been obtained from public sources that the Authority believes to be reliable, but such statements have not been independently verified by the Authority and the Authority assumes no responsibility for the accuracy or completeness thereof.*

On January 29, 2019, PG&E and PG&E Corporation filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code (the “**Bankruptcy Code**”). A Chapter 11 case under the Bankruptcy Code is utilized to accomplish either a restructuring and/or liquidation of businesses.

In its bankruptcy filings, PG&E indicated that its voluntary bankruptcy filing was initiated to address extraordinary financial challenges. These are largely attributed to its potential liabilities associated with a number of wildfires which occurred in Northern California in 2017 and 2018. In its Form 8-K filing with the Securities and Exchange Commission reporting its intent to file voluntary bankruptcy (the “**PG&E SEC filing**”) and its subsequent bankruptcy filings, PG&E estimated if it were found liable for certain or all of the costs, expenses and other losses with respect to the 2017 and 2018 Northern California wildfires, the amount of such liability (exclusive of potential putative damages, fines and penalties or damages related to future claims) could exceed \$30 billion. SB 901, which was enacted by the California legislature in September 2018, addressed a portion of the liabilities PG&E faced in connection with the 2017 wildfires. That legislation, however, expressly excluded any similar relief for wildfires occurring in 2018.

PG&E has requested approval from the bankruptcy court to continue operations of both its electric and gas systems. In its SEC filing, PG&E stated that it expected to operate in the ordinary course of business following the Chapter 11 filing, including providing uninterrupted electric and natural gas service to customers. In its bankruptcy filings, PG&E has indicated that it has obtained approximately \$5.5 billion in secured debtor-in-possession financing from several financial institutions that would provide liquidity to fund its operations during the Chapter 11 process. PG&E's bankruptcy could have broader effects on the electric markets generally. Subject to Bankruptcy Court approval, Chapter 11 debtors have the power to assume or reject contractual arrangements. Chapter 11 debtors may seek to reject contracts that are uneconomic or otherwise burdensome to the debtor. In the event PG&E were to seek to reject some power purchase agreements, and if the court orders this, there may be further market impacts. In addition, it is possible that one or more other entities may ultimately assume or acquire all or a portion of PG&E's operations and activities in the future. Further, in its SEC filing, PG&E stated it is exploring possible sales or other dispositions of certain assets and businesses.

Operations of PG&E's transmission system is overseen by the CAISO, which is in turn overseen by FERC. To date, the Electric System has not experienced any operational disruptions as a result of the PG&E bankruptcy filing. Although there are uncertainties associated with

PG&E's emergence from bankruptcy, and its future ownership, financing and rate structure, the CAISO and FERC will continue to oversee grid operations and reliability.

### **Future State and Federal Legislation**

Numerous bills have been under consideration in the State Legislature and federal Congress addressing United States energy policies and various environmental matters, including those related to energy supplies and development (such as a federal energy efficiency standard and expedited permitting for natural gas drilling projects), cybersecurity, reducing regulatory burdens, climate change and water quality. Many of these bills, if enacted into law, could have a material impact on the electric utility industry generally, and the Electric System more specifically. Previously, proposed energy and climate change-related pieces of legislation have included, among other things, a cap-and-trade system to regulate and reduce the emission of carbon dioxide and other greenhouse gases and a federal renewable energy portfolio standard. The impact that federal greenhouse gas cap-and-trade legislation could have on the electric utility industry and business would largely depend on the specific provisions of any legislation that might ultimately become law. Some of the important factors to be addressed would include the timing and magnitude of the emissions cap, the extent to which emissions allowances are either allocated or auctioned to the highest bidder, the extent to which emissions may be offset by other actions, whether there will be a cap on the price of emissions allowances and the allocation of proceeds from the auction of allowances. Other areas of consideration for energy legislation include, but are not limited to, the development and deployment of alternative fuels, renewable energy resources, and energy conservation measures. The timeline and impact of any future climate change legislation cannot be accurately assessed at this time, but it is expected that any such federal action would have a significant impact on fossil-fueled generation facilities.

## CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS

### State Constitution Articles XIII A and XIII B

Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A provides that the maximum ad valorem tax on real property cannot exceed one percent of the “full cash value” of the property, and effectively prohibits the levying of any other ad valorem property tax except for taxes above that level required to pay debt service on voter-approved general obligation bonds. “Full cash value” is defined as “the County Assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value’ or, thereafter, the appraisal value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The “full cash value” is subject to annual adjustment to reflect inflation at a rate not to exceed two percent or a reduction in the consumer price index or comparable local data, or declining property value caused by damage, destruction or other factors.

The foregoing limitation does not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters before July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved by two-thirds of the votes cast by the voters voting on the proposition.

Under Article XIII B of the California Constitution, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation”, which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. The City is of the opinion that the electric service and use charges imposed by the City do not exceed the costs the City reasonably bears in providing the electric service. In general terms, the “appropriations limit” is to be based on certain 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

### State Constitution Articles XIII C and XIII D

**Proposition 218.** Proposition 218, a State ballot initiative known as the “Right to Vote on Taxes Act,” was approved by the voters of the State of California on November 5, 1996. Proposition 218 added Articles XIII C and XIII D to the State Constitution. Article XIII C imposes a majority voter approval requirement on local governments (including the City) with respect to taxes for general purposes, and a two-thirds voter approval requirement with respect to taxes for special purposes. Article XIII D creates additional requirements for the imposition by most local governments of general taxes, special taxes, assessments and “property-related” fees and charges. Article XIII D explicitly exempts fees for the provision of electric service from the provisions of such article.

Article XIII C expressly extends the people’s initiative power to reduce or repeal previously-authorized local taxes, assessments, and fees and charges imposed prior to its effective date (November 1996). The terms “fees and charges” are not defined in Article XIII C, although the California Supreme Court held in Bighorn-Desert View Water Agency v. Verjil, 39

Cal. 4<sup>th</sup> 205 (2006), that the initiative power described in Article XIIC may apply to a broader category of fees and charges than the property-related fee and charges governed by Article XIID. Moreover, in the case of Bock v. City Council of Lompoc, 109 Cal. App. 3d 43 (1980), the Court of Appeal determined that an electric rate ordinance was not subject to the same constitutional restrictions that are applied to the use of the initiative process for tax measures so as to render it an improper subject of the initiative process. Thus, electric service charges (which are expressly exempted from the provisions of Article XIID) may be subject to the initiative provisions of Article XIIC, thereby subjecting such fees and charges to reduction by the electorate. The City believes that even if the electric rates of the Electric System are subject to the initiative power, under Article XIIC or otherwise, Article XIIC does not grant to the electorate of the City the power to repeal or reduce its electric rates and charges in a manner that would impair the payment of the contractual obligations of the City or Authority (including those related to the Bonds).

**Proposition 26.** Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIII A and XIIC. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters pursuant to Proposition 13, approved in 1978, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the State or local government of providing the service or product to the payor. Proposition 26 may, however, be interpreted to limit fees and charges for electric utility services charged by governmental entities such as the City to preclude future transfers of electric utility generated funds to a local government's general fund and/or require stricter standards for the allocation of costs among customer classes.

Proposition 26 is subject to interpretation by California courts, including the extent to which it is applicable to pre-existing electric rates and general fund transfers. A number of lawsuits have been filed against public agencies in California under Proposition 26, including particularly with respect to electric utility fund transfers. The City is unable to predict at this time how Proposition 26 will ultimately be interpreted or the impact of Proposition 216 on the Electric System.

### **Future Initiatives**

Article XIII A, Article XIII B, Articles XIIC and XIID and Proposition 26, were each adopted pursuant to measures qualified for the ballot pursuant to California's constitutional initiative process. From time to time other initiative measures could be adopted by California voters. The adoption of any such initiatives might place limitations on the ability of the City to increase revenues or to increase appropriations.

### **BOND OWNERS' RISKS**

*The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exclusive listing of risks and other considerations that may be relevant to investing in the Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks and considerations.*

## **Limited Obligations**

The Bonds are limited obligations of the Authority secured by and payable from the Installment Payments, which are secured by the Net Revenues of the Electric System. The Installment Payments are limited obligations of the City and are not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Revenues. The obligation of the City to make the Installment Payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

No representation or assurance can be made that revenues will be realized by the Electric System of the City in amounts sufficient to make payments required by the Installment Sale Agreement. Future economic and other conditions, including economic trends and events, technological developments and demographic changes, increases in insurance claims, as well as increased costs and changes in government regulations may adversely affect the future financial condition of the Electric System and, consequently, the City's ability to make the Installment Payments securing payment of the principal of and premium, if any, and interest on Bonds. There is no assurance that the City can succeed in operating the Electric System such that Net Revenues in the future amounts projected in this Official Statement will be realized.

## **Limitations on Remedies and Limited Recourse on Default**

The ability of the City to comply with its covenants under the Installment Sale Agreement and to generate Net Revenues sufficient to pay principal of and interest on the Bonds may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. Failure by the City to pay the Installment Payments constitutes an event of default under the Installment Sale Agreement, and the Trustee is permitted to pursue remedies at law or in equity to enforce the City's obligation to make such payments. Although the Trustee has the right to accelerate the total unpaid principal amount of the unpaid Payments under Installment Sale Agreement, including the Installment Payments, there is no assurance that the City would have sufficient funds to pay the accelerated Payments.

Furthermore, the remedies available to the owners of the Bonds upon the occurrence of an event of default under the Installment Sale Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. In addition, the rights and remedies of bondholders under the Indenture and the Installment Sale Agreement may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. The opinion to be delivered by Bond Counsel concurrently with the issuance of the Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. See "APPENDIX E – FORM OF OPINION OF BOND COUNSEL." In the event the City fails to comply with its covenants under the Installment Sale Agreement or fails to pay the Installment Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the Bonds.

## Regulatory Risks; Change in Law

The electric utility industry is a heavily regulatory industry, and subject to changes in law at both the federal and State level that may impact the revenues and/or the expenses of the Electric System and the ability of the City to pay debt service on the Bonds. Investors should read the section, “FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY” in its entirety before making an investment decision with respect to the Bonds.

In addition, in recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. There is no assurance that the electorate or the State Legislature will not at some future time approve additional limitations that could affect the ability of the City to implement rate increases, which could reduce Net Revenues and adversely affect the security for the Bonds. See “CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS.”

## Environmental Risks

**Seismic.** The service area of the Electric System, like much of California, is subject to seismic activity that could result in interference with its operation of the Electric System. In addition, other active and potentially active seismic faults cross the regional transmission facilities through which the City obtains power. No assurance can be given that a future seismic event will not materially adversely affect the operation of the Electric System.

**Drought.** California is subject to droughts from time-to-time. On April 1, 2015, for the first time in California’s history, Governor Edmund G. Brown directed the State Wastewater Resources Control Board to implement mandatory water reductions in cities and towns across California to reduce water usage by 25%. Following a wet winter in 2016-17, most of the mandatory water reductions were lifted. However, in 2021, drought conditions were declared across California again and water restrictions were again put into place. Drought conditions can have material adverse impacts on the hydroelectric generation facilities that supply power to the Electric System, among other things.

**Wildfire.** A number of wildfires have occurred in northern California in recent years. Under the doctrine of inverse condemnation (a legal concept that entitles property owners to just compensation if their property is damaged by a public use), California courts have imposed liability on utilities in legal actions brought by property holders for damages caused by the utility’s infrastructure. Thus, if the facilities of a utility, such as its electric distribution and transmission lines, are determined to be the substantial cause of a fire, and the doctrine of inverse condemnation applies, the utility could be liable for damages without having been found negligent.

The City does not independently own or operate any transmission lines, and its owned or co-owned transmission or distribution facilities have not been the cause of any wildfires experienced in California. Within municipal boundaries of the City, the primary geographical area of the Electric System, only 10% of the Electric System’s overhead electrical lines and equipment are located in a Tier 2 CPUC designated fire-threat area, which are the areas where there is a higher risk (including likelihood and potential impacts on people and property) from utility-related wildfires. Similarly, the City is not within United States Forest Service/California Department of Forestry and Fire Protection (Cal Fire) designated high hazard zone. See also “THE ELECTRIC SYSTEM – Wildfire Mitigation Measures.”

Although the City is not located within a Fire Hazard Severity Zone as established by Cal Fire (<https://egis.fire.ca.gov/FHSZ>), there are areas adjacent to the City that are open space parklands and more susceptible to wildfires. With the exception of a small area in the western foothills, the majority of the City of Ukiah is within the moderate or lesser wildfire risk exposure zones, with only 6% of the improved parcel value within the high and very high exposure zones according to CalFire data. The City was one of the first jurisdictions in the State to implement an aggressive vegetation management program in collaboration with CalFire to reconstitute control burns, dozer fuel breaks, and shaded fuel breaks in the State responsibility areas surrounding the Ukiah Valley. Currently the City is actively acquiring land in the western hills to protect open space and prevent urban develop in higher risk fire zones. An active public outreach and inspection program requiring vegetation management on private property and prevention checks of businesses is ongoing.

**Climate Change.** The impacts of drought, wildfire and other conditions may be becoming worse as a result of climate change. The City is unable to predict what, if any, impacts may results from climate change on the Electric System although it is possible the Net Revenues available to pay debt service on the Bonds may be material adversely impacted.

### **COVID-19 Pandemic**

The outbreak of COVID-19 (a respiratory disease caused by a novel strain of coronavirus) which began in the winter of 2020 and which continues as of the date of this Official Statement, has been declared as a pandemic by the World Health Organization. The pandemic is having significant negative impacts throughout the world, including in the United States and the State of California. In response to the COVID-19 outbreak, governmental actions have included the implementation of “stay-at-home” (or “safer-at-home”) orders by the State and local governments requiring citizens to remain at home except for certain essential purposes, and except as needed to maintain continuity of operation of certain critical sectors. This has caused the disruption of daily life in all jurisdictions, including the closure of, among others, bars, dine-in restaurants, retail stores, schools, gyms, movie theatres, certain government buildings and religious institutions, and general prohibitions on gatherings. Although most of these restrictions have been eased, they may be modified, lifted, re-instated or expanded as the pandemic continues and local conditions warrant.

The City is monitoring the COVID-19 pandemic but is not yet able to fully predict the effect it will have on the Electric System’s financial performance or operations. Based on data available through June 30, 2021, the Electric System’s retail electricity deliveries declined by approximately \_\_\_\_\_% for the fiscal year, due to \_\_\_\_\_. **[City to confirm]**

The City cannot predict (i) the duration or ultimate extent of the COVID-19 pandemic; (ii) to what extent the COVID-19 pandemic may affect the operations and revenues of the Electric System in the future; (iii) to what extent the COVID-19 pandemic may ultimately disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption will adversely impact Electric System-related construction, the cost, sources of funds, schedule or implementation of the Electric System’s capital improvement program, or other Electric System operations; (iv) to what extent the City may provide additional customer assistance measures or deferrals, forbearances, adjustments or other changes to its customers or its billing and collection procedures; or (v) whether any of the foregoing may have a material adverse effect on the finances and operations of the Electric System. Prospective investors should consider that the restrictions and limitations instituted related to COVID-19 may increase (even after they are decreased), and the upheaval to the national and global economies may continue and/or be

exacerbated, at least over the near term, and the recovery may be prolonged, and therefore, COVID-19 may adversely impact the Electric System revenues.

### **Risk of Inverse Condemnation Actions**

Under the doctrine of inverse condemnation (a legal concept that entitles property owners to just compensation if their property is damaged by a public use), California courts have imposed liability on public agencies in legal actions brought by property holders for damages caused by such public agencies' infrastructure. Thus, if the facilities of the Electric System are determined to be the substantial cause of damage to property from flooding, fire or otherwise, and the doctrine of inverse condemnation applies, the Electric System could be liable for property damage, business interruption, interest, and attorneys' fees without having been found negligent, which liability, in the aggregate, could be substantial. In addition to such claims for property damage, business interruption, interest, and attorneys' fees, the Electric System could be liable for flood or fire suppression costs, evacuation costs, medical expenses, personal injury damages, punitive damages, and other damages under other theories of liability, including if personnel operating the Electric System were found to have been negligent, which liability, in the aggregate, could be substantial.

### **Cybersecurity**

Like all agencies connected to the Internet, the City and the Electric System are subject to cybersecurity risks. The Electric System places a high priority on all of its security practices to protect electric infrastructure. With respect to cybersecurity, these practices include, but are not limited to: performance of periodic security risk assessments and gap analyses to identify security strengths and vulnerabilities; implementation of access controls and restrictions; personnel risk assessments; software patch management; reliance on appropriate malware protection; practices for the designation of and proper safeguards for confidential or sensitive information; practices for the backup and recovery of data; and security awareness training. The Electric System staff will continue to take actions to address new threats as they arise and to close new vulnerabilities as they are identified that are appropriate for the assets owned, operated, and controlled by the Electric System.

### **IRS Audit of Tax-Exempt Bond Issues**

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of such Bonds might be affected as a result of such an audit (or by an audit of similar bonds or securities).

### **Secondary Market**

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

**[Bond Insurance Risk Factors]**

[The Authority has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The Authority has yet to determine whether an insurance policy will be purchased with the Bonds. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

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

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

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

Neither the Authority or Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by

the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.]

### **Other Risks to the Electric System**

The Electric System, like the rest of the electric utility industry, has been, or in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of the Electric System, including:

- effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements other than those described above;
- changes resulting from conservation and demand-side management programs on the timing and use of electric energy;
- changes resulting from a national energy policy;
- effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and “strategic alliances” of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity;
- the proposed repeal of certain federal statutes that would have the effect of increasing the competitiveness of many investor-owned utilities;
- increased competition from independent power producers and marketers, brokers and federal power marketing agencies;
- changes in the industry stemming from the 2019 bankruptcy declaration of PG&E initiated to address extraordinary financial challenges attributed to existing and potential liabilities for wildfires, the outcome of the remaining disputes regarding its reorganization plan following its emergence from bankruptcy on July 1, 2020, and the recently-enacted legislation that would authorize the creation of a non-profit public benefit corporation for the benefit of all Californians, which non-profit public benefit corporation could acquire PG&E under specified circumstances in the future;
- “self-generation” or “distributed generation” (such as microturbines and fuel cells) by industrial and commercial customers and others;
- issues relating to the ability to issue tax-exempt obligations, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations;
- effects of inflation on the operating and maintenance costs of an electric utility and its facilities;
- changes from projected future load requirements;
- increases in costs and uncertain availability of capital;
- shifts in the availability and relative costs of different fuels (including the cost of natural gas);
- sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as has previously occurred in California;
- issues relating to risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity;
- other legislative changes, voter initiatives, referenda and statewide propositions;
- other political risks impacting the City’s rates or other operational or financial matters;

- effects of changes in the economy, including those resulting from the COVID-19 pandemic;
- effects of possible manipulation of electric markets; and
- natural disasters or other physical calamities, including, but limited to, earthquake, drought, floods, wildfires and climate change.

Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility, including the Electric System. The City cannot predict what effects such factors will have on the business operations and financial condition of the Electric System, but the effects could be significant. The foregoing is a brief discussion of these factors. The City has taken certain steps to mitigate the impacts of these changes, including establishing the Rate Stabilization Fund and implementation of the renewable energy surcharge and greenhouse gas emission reduction surcharge. This Official Statement includes a brief discussion of these steps. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is, and will be, available from the legislative and regulatory bodies and other sources in the public domain.

## TAX MATTERS

**Federal Tax Status.** In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

**Tax Treatment of Original Issue Discount and Premium.** If the initial offering price to the public at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon

disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

**California Tax Status.** In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

**Other Tax Considerations.** Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

## **CERTAIN LEGAL MATTERS**

Jones Hall, A Professional Law Corporation, Bond Counsel, will render an opinion with respect to the validity of the Bonds, the form of which opinion is set forth in APPENDIX E. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the City and the Authority by the City Attorney, and for the Trustee by counsel to the Trustee. Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, the Municipal Advisor and Trustee's counsel is contingent upon the sale and delivery of the Bonds.

## **LITIGATION**

Except as may otherwise be set forth in this Official Statement, to the best knowledge of the City, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending and notice of which has been served on and received by the City or, to the knowledge of the City, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Installment Sale Agreement or the Indenture, or upon the financial condition, assets, properties or operations of the Electric System, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Installment Sale Agreement or the Indenture, or the financial conditions, assets, properties or operations of the Electric System, including but not limited to the payment and performance of the City's obligations under the Installment Sale Agreement.

The City is subject to claims, actions, and lawsuits arising in the normal course of business. At this time, the City does not believe any of the lawsuits are likely to be resolved in a manner that would result in liability to the Electric System in excess of its existing insurance coverage. However, no assurance can be given that an adverse outcome in any pending or future litigation against the City would not result in a material adverse effect upon the financial condition of the Electric System and its ability to pay the Installment Payments securing the Bonds.

## **RATING[S]**

[Add insured rating language, if applicable.]. S&P Global Ratings ("**S&P**") has assigned its municipal bond rating of "\_\_\_\_\_" to the Bonds. A rating reflects only the views of the rating agency, and an explanation of the significance of this rating, and any outlook assigned to or associated with this rating, should be obtained from the rating agency. There is no assurance that this rating will continue for any given period of time, or that this rating will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating from S&P may have an adverse effect on the market price of the Bonds.

## **CONTINUING DISCLOSURE**

The City will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data by not later than nine months after the end of the City's fiscal year,

or April 1, of each year (based on the City's current fiscal year-end of June 30), commencing April 1, 2023, with the report for the 2021-22 fiscal year (the "**Annual Report**") and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5), as amended (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the City is set forth in "APPENDIX C – Form of Continuing Disclosure Certificate."

A review of the City's prior compliance with its continuing disclosure obligations under the Rule reveals that the City did not timely file its audited financial statement and/or annual report information by the due dates for Fiscal Year 2015-16.

In addition, the Successor Agency to the Ukiah Redevelopment Agency did not timely file a notice of defeasance in Fiscal Year 2019-20 related to the refunding of tax allocation bonds.

The City has retained NHA Advisors, LLC to serve as the dissemination agent for its outstanding bonded indebtedness which are subject to the Rule.

### **MUNICIPAL ADVISOR**

The City and the Authority have retained NHA Advisors LLC, of San Rafael, California, as municipal advisor (the "**Municipal Advisor**") in connection with the offering of the Bonds. All financial and other information presented in this Official Statement has been provided by the City and the Authority from their records, except for information expressly attributed to other sources. The Municipal Advisor takes no responsibility for the accuracy or completeness of the data provided by the City, Authority or others and has not undertaken to make an independent verification or does not assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The fee of the Municipal Advisor is contingent upon the successful closing of the Bonds.

### **UNDERWRITING**

The 2022 Bonds are being sold pursuant to a negotiated sale with RBC Capital Markets, LLC, as underwriter (the "Underwriter"). The Bonds are being purchased by the Underwriter at a purchase price of \$\_\_\_\_\_, which represents the aggregate principal amount of the Bonds, plus an original issue premium of \$\_\_\_\_\_ less an Underwriter's discount of \$\_\_\_\_\_.

The Underwriter intends to offer and sell the Bonds to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriter.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject

of this securities offering or other offering of the Authority and/or the City. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority and/or the City.

**PROFESSIONAL SERVICES**

In connection with the issuance of the Bonds, fees payable to the following professionals involved in the offering are contingent upon the issuance and delivery of the Bonds: Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel; NHA Advisors LLC, San Rafael, California, as municipal advisor to the Authority and the City; Nixon Peabody LLP, Los Angeles, California, as counsel to the Underwriter; and The Bank of New York Mellon Trust Company, N.A., as Trustee.

**EXECUTION**

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

**UKIAH PUBLIC FINANCING AUTHORITY**

By: \_\_\_\_\_  
Executive Director

**CITY OF UKIAH**

By: \_\_\_\_\_  
City Manager

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

**APPENDIX B**  
**AUDITED FINANCIAL STATEMENTS OF THE CITY**  
**FOR FISCAL YEAR 2020-21**

## APPENDIX C

## FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ \_\_\_\_\_  
**UKIAH PUBLIC FINANCING AUTHORITY**  
**Electric Revenue Bonds, Series 2022**

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the City of Ukiah (the “City”) in connection with the issuance by the Authority of the bonds captioned above (the “Bonds”). The Bonds are being issued under an Indenture of Trust dated as of March 1, 2022 (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The City hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

“*Annual Report Date*” means April 1 of each year.

“*Dissemination Agent*” means NHA Advisors LLC, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

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

“*Official Statement*” means the final official statement, executed by the City and the Authority in connection with the issuance of the Bonds.

“*Participating Underwriter*” means RBC Capital Markets, LLC, the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2022, with the report for Fiscal Year 2020-21, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The City shall provide a written certificate with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

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

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

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

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

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

(a) Audited Financial Statements of the City prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding clause (a), the Annual Report shall contain information showing:

(i) the principal amount of Bonds outstanding as of June 30 preceding the filing of the Annual Report;

(ii) the balance in each fund under the Indenture as of June 30 preceding the filing of the Annual Report; and

(iii) updates to the substance of the information contained in the following tables in the Official Statement:

(A) Table 1 – Sources of Power Supply

(B) Table 3 – Customers, Sales and Peak Demand

(C) Table 4 – Ten Largest Customers

(D) Table 7 – Outstanding Debt of Joint Powers Agencies

(E) Table 8 – Pro Forma Historical and Projected Revenues, Expenses and Debt Service Coverage (most recent 5 fiscal years only; no projections)

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

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

#### Section 5. Reporting of Significant Events.

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

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the City or other obligated person.

- (13) The consummation of a merger, consolidation, or acquisition involving the City or an obligated person, or the sale of all or substantially all of the assets of the City or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material (for definition of "financial obligation," see clause (f)).
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties (for definition of "financial obligation," see clause (f)).

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall, or shall cause the Dissemination Agent (if not the City) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsection (a)(8) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The City acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The City shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the City obtains knowledge of the occurrence of any of these Listed Events, the City will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the City will cause a notice to be filed as set forth in paragraph (b) above.

(d) For the purposes of the event identified in (a)(12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(e) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if

such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

(f) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

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

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

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

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

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

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

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

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

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

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

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

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

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

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

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

Section 15. Governing Law. This Disclosure Certificate shall be governed by the laws of the state of California.

Date: \_\_\_\_\_, 2022

CITY OF UKIAH

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ACCEPTED AND AGREED:

NHA Advisors LLC,  
As Dissemination Agent

By \_\_\_\_\_  
Authorized Representative

**APPENDIX D****GENERAL INFORMATION REGARDING THE CITY OF UKIAH  
AND THE COUNTY OF MENDOCINO**

*The following information concerning the County of Mendocino (the “**County**”) and the City of Ukiah (the “**City**”) is included only for the purpose of supplying general information regarding the area. The Bonds are not a debt of the County, the City, the State of California (the “**State**”) or any of its political subdivisions, and neither the County, the City, the State nor any of its political subdivisions is liable therefor. The City and the Underwriter take no responsibility for the accuracy or completeness of such information.*

**General**

**The City.** The City is located in the north central area of the County, approximately 100 miles north of San Francisco and about an hour’s drive from the coastal redwoods and the Mendocino Coast. The City is the largest city in the County and is the County seat. The City was incorporated in 1876 and was the first community in the United States to utilize a Council-Manager form of government. The City Council is made up of five members who set policy and set up the City budget. The City Council appoints a Mayor, City Manager, City Treasurer, City Clerk and members of other commissions.

**The County.** The County was created in 1850 by the State Legislature and was one of the State’s original 27 counties. Sonoma, Lake, Glenn, Tehama, Trinity and Humboldt counties all border Mendocino County on its inland side. The County spans an area of over 2 million acres, which is approximately 3500 square miles and its coastline runs about 100 miles. Coastal highways 1 and 101, running through the center of the County, are important transportation routes. Smaller country roads connect Mendocino’s five distinct regions, which are the Anderson Valley to the south, South Mendocino coast, North Mendocino coast, Northern Mendocino County and the Russian River Valley to the east. The City of Ukiah is the largest city in the County and is the County seat. The County is legislatively governed by a board of five supervisors, each with a separate district.

The County has nine Indian reservations lying within its borders, the fourth most of any county in the United States (after San Diego County, California; Sandoval County, New Mexico; and Riverside County, California).

**Population**

The following table lists population estimates for the City, the County and the State for the last five years, as of January 1 each year.

**CITY OF UKIAH, COUNTY OF MENDOCINO, STATE OF CALIFORNIA  
Population Estimates  
Years 2017 through 2021, as of January 1**

<b>Year</b>	<b>City of Ukiah</b>	<b>Mendocino County</b>	<b>State of California</b>
2017	15,937	88,646	39,352,398
2018	16,081	88,542	39,519,535
2019	15,942	88,205	39,605,361
2020	15,951	87,708	39,648,938
2021	15,526	86,669	39,466,855

*Source: California Department of Finance, Demographic Research Unit.*

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## Industry and Employment

The following table shows the unemployment rate in Mendocino County for the years shown.

**MENDOCINO COUNTY**  
**Civilian Labor Force, Employment and Unemployment**  
**Calendar Years 2016 through 2020**  
**(March 2020 benchmark)**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Civilian Labor Force <sup>(1)</sup>	39,620	39,560	39,460	38,650	37,020
Employment	37,520	37,760	37,870	37,090	33,720
Unemployment	2,100	1,800	1,590	1,560	3,290
Unemployment Rate	5.3%	4.5%	4.0%	4.0%	8.9%
<u>Wage and Salary Employment:</u> <sup>(2)</sup>					
Agriculture	1,360	1,380	1,450	1,460	1,410
Mining and Logging	300	330	310	290	270
Construction	1,060	1,220	1,380	1,390	1,320
Manufacturing	2,550	2,540	2,470	2,430	2,360
Wholesale Trade	740	840	810	740	700
Retail Trade	4,730	4,760	4,820	4,810	4,480
Transportation, Warehousing, Utilities	710	710	730	720	840
Information	250	230	230	210	170
Financial Activities	1,050	1,060	1,070	1,050	980
Professional and Business Services	1,670	1,670	1,790	1,860	1,800
Educational and Health Services	5,580	5,750	5,780	5,840	5,530
Leisure and Hospitality	4,410	4,410	4,490	4,360	3,200
Other Services	790	810	810	750	700
Federal Government	280	270	270	270	290
State Government	570	560	580	600	640
Local Government	6,400	6,400	6,320	6,310	5,740
Total all Industries <sup>(3)</sup>	32,440	32,950	33,290	33,100	30,390

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Columns may not sum to totals due to rounding.

Source: State of California Employment Development Department.

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**Principal Employers**

The following table lists the principal employers within the City for fiscal year 2019-20.

**CITY OF UKIAH  
Principal Employers  
Fiscal Year 2019-20**

<b>Employer Name</b>	<b>No. of Employees</b>
Adventist Health Ukiah Valley	500-999
City of Ukiah	100-249
Costco Wholesale	100-249
County of Mendocino	1,000-1,250
Dharma Realm Buddhist Association	100-249
Mendocino Community Health	250-499
Mendocino County Office of Education	100-249
Pacific Coast Farm Credit	100-249
Ukiah Valley Medical Center	500-999
Walmart	100-249

*Source: City of Ukiah.*

*[Remainder of page intentionally left blank]*

The following table lists, in alphabetical order, the largest manufacturing and non-manufacturing employers within the County as of October 2021.

**COUNTY OF MENDOCINO  
Major Employers  
As of October 2021  
(In Alphabetical Order)**

<b>Employer Name</b>	<b>Location</b>	<b>Industry</b>
Adventist Health Howard Meml	Willits	Hospitals
Adventist Health Mendocino Cst	Fort Bragg	Hospitals
Adventist Health Ukiah Vly	Ukiah	Outpatient Services
California Department-Forestry	Willits	Government Offices-State
Costco Wholesale	Ukiah	Wholesale Clubs
Coyote Valley Casino	Redwood Valley	Casinos
Dharma Realm Buddhist Assn	Ukiah	Associations
Fetzer Vineyards	Hopland	Wineries (mfrs)
Georgia-Pacific Corp	Fort Bragg	Sawmills (mfrs)
Little River Inn	Little River	Golf Courses
Mendocino Community Health	Ukiah	Clinics
Mendocino County Food Stamps	Ukiah	Government Offices-County
Mendocino County Office of Edu	Ukiah	Boards of Education
Mendocino County Sheriff	Point Arena	Government Offices-County
Mendocino County Social Svc	Ukiah	Government Offices-County
Mendocino Redwood Co LLC	Calpella	Restaurants
Metalfx Inc	Willits	Sheet Metal Fabricators (mfrs)
Oak Point Ranch	Potter Valley	Vineyards
Pacific Coast Farm Credit	Ukiah	Loans-Agricultural
Safeway	Fort Bragg	Grocers-Retail
Sawmill	Ukiah	Sawmills & Planing Mills-General (mfrs)
Ukiah City Civic Ctr	Ukiah	Government Offices-City/Village & Twp
Ukiah High School	Ukiah	Schools
Ukiah Valley Medical Ctr	Ukiah	Hospitals
Walmart	Ukiah	Department Stores

*Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2022 1st edition.*

*[Remainder of page intentionally left blank]*

## Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City, the County, the State, and the United States for the period 2018 through 2022.

**CITY OF UKIAH, MENDOCINO COUNTY,  
STATE OF CALIFORNIA AND UNITED STATES  
EFFECTIVE BUYING INCOME  
As of January 1, 2018 through 2022**

<b>Year</b>	<b>Area</b>	<b>Total Effective Buying Income (000's Omitted)</b>	<b>Median Household Effective Buying Income</b>
2018	City of Ukiah	\$304,459	\$37,984
	Mendocino County	1,833,429	40,496
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Ukiah	\$341,372	\$39,976
	Mendocino County	1,958,994	42,231
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Ukiah	\$412,016	\$47,335
	Mendocino County	2,374,052	48,768
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of Ukiah	\$366,626	\$45,764
	Mendocino County	2,149,946	46,801
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	City of Ukiah	\$416,520	\$55,457
	Mendocino County	2,538,336	55,971
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448

*Source: The Nielsen Company (US), Inc for year 2018; Claritas, LLC for 2019 through 2022.*

## Commercial Activity

A summary of historic taxable sales within the City and the County during the past five years in which data is available is shown in the following tables.

Total taxable sales during the first quarter of calendar year 2021 in the City were reported to be \$143,482,524, a 13.16% increase over the total taxable sales of \$126,801,383 reported during the first quarter of calendar year 2020.

**CITY OF UKIAH**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**Calendar Years 2016 through 2020 (Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	478	\$415,019	775	\$467,938
2017	469	413,944	774	465,072
2018	457	432,223	803	485,110
2019	455	491,185	807	548,622
2020	461	520,425	814	582,571

*Source: State Department of Tax and Fee Administration.*

Total taxable sales during the first quarter of calendar year 2021 in the County were reported to be \$434,304,382, a 20.66% increase over the total taxable sales of \$359,950,406 reported during the first quarter of calendar year 2020.

**COUNTY OF MENDOCINO**  
**Taxable Retail Sales**  
**Number of Permits and Valuation of Taxable Transactions**  
**Calendar Years 2016 through 2020 (Dollars in Thousands)**

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2016	2,489	\$1,075,436	4,145	\$1,424,943
2017	2,529	1,111,403	4,460	1,467,165
2018	2,492	1,150,832	4,796	1,490,850
2019	2,472	1,245,092	5,046	1,602,968
2020	2,567	1,350,609	5,232	1,728,692

*Source: State Department of Tax and Fee Administration.*

## Construction Activity

Construction activity in the City and the County for the past five years for which data is available is shown in the following tables.

### CITY OF UKIAH Building Permit Valuation For Calendar Years 2016 through 2020 (Dollars in Thousands)<sup>(1)</sup>

	2016	2017	2018	2019	2020
<u>Permit Valuation</u>					
New Single-family	\$2,230.4	\$3,582.6	\$4,794.6	\$2,054.1	\$2,340.8
New Multi-family	8,400.0	0.0	0.0	0.0	3,526.4
Res. Alterations/Additions	850.3	1,133.6	10,268.4	627.8	991.5
Total Residential	11,480.7	4,716.2	15,063.0	2,681.9	6,858.7
New Commercial	654.0	3,403.7	5,699.5	331.6	1,973.3
New Industrial	78.2	0.0	0.0	14.6	0.0
New Other	667.0	505.1	1,877.1	244.9	700.0
Com. Alterations/Additions	726.4	726.8	845.0	608.0	613.1
Total Nonresidential	2,125.6	4,635.6	8,421.6	1,199.1	3,286.4
<u>New Dwelling Units</u>					
Single Family	13	16	25	11	9
Multiple Family	48	0	0	0	240
TOTAL	61	16	25	11	249

(1) Totals may not foot due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

### MENDOCINO COUNTY Building Permit Valuation For Calendar Years 2016 through 2020 (Dollars in Thousands)<sup>(1)</sup>

	2016	2017	2018	2019	2020
<u>Permit Valuation</u>					
New Single-family	\$11,628.5	\$17,779.4	\$29,034.7	\$22,296.2	\$20,148.2
New Multi-family	8,400.0	224.9	0.0	1,630.7	3,526.4
Res. Alterations/Additions	10,523.7	7,241.9	985.7	9,095.0	9,570.8
Total Residential	30,552.2	25,246.2	39,303.1	33,021.9	33,245.4
New Commercial	3,937.5	14,404.3	4,248.8	17,698.1	20,058.6
New Industrial	78.2	775.3	5.0	14.6	20,158.6
New Other	4,008.9	2,859.7	20,105.1	5,738.3	4,898.0
Com. Alterations/Additions	6,652.3	2,240.8	7,387.6	8,771.3	5,546.0
Total Nonresidential	14,676.9	20,280.1	31,746.5	32,222.3	50,661.2
<u>New Dwelling Units</u>					
Single Family	70	91	157	137	102
Multiple Family	48	2	0	8	240
TOTAL	118	93	157	145	342

(1) Totals may not foot due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

**APPENDIX E**

**PROPOSED FORM OF BOND COUNSEL OPINION**

[Closing Date]

Board of Directors of the  
Ukiah Public Financing Authority  
300 Seminary Avenue  
Ukiah, California 95482

**OPINION:** \$ \_\_\_\_\_ Ukiah Public Financing Authority  
Electric Revenue Bonds, Series 2022

Members of the Board:

We have acted as bond counsel to the Ukiah Public Financing Authority (the "Authority") in connection with the issuance by the Authority of its Electric Revenue Bonds, Series 2022 (the "Bonds") in the aggregate principal amount of \$ \_\_\_\_\_, pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code) and an Indenture of Trust, dated as of March 1, 2022 (the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Bonds are secured by Revenues, as such term is defined in the Indenture, including certain installment payments made by the City of Ukiah (the "City") under an Installment Sale Agreement, dated as of March 1, 2022 (the "Installment Sale Agreement") between the Authority and the City. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

1. The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California, with power to enter into the Indenture, to perform the agreements on its part contained therein and to issue the Bonds.
2. The Bonds constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Indenture.
3. The Indenture has been duly authorized, executed and delivered by the Authority, and constitutes a legal, valid and binding obligation of the Authority enforceable against the

Authority in accordance with its terms. The Indenture creates a valid pledge to secure the payment of the principal of, and interest on, the Bonds of the Revenues and the other amounts held by the Trustee in certain funds or accounts established pursuant to the Indenture securing the Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

4. The City is a municipal corporation and general law city duly organized and existing under the laws of the State of California, with power to enter into the Installment Sale Agreement and to perform the agreements on its part contained therein. The Installment Sale Agreement has been duly authorized, executed and delivered by the City, and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

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

Respectfully submitted,

A Professional Law Corporation

**APPENDIX F****DTC AND THE BOOK-ENTRY ONLY SYSTEM**

*The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

*Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.*

*No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC is rated “AA+” by Standard & Poor’s. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting

rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

**Ukiah Public Financing Authority  
Electric Revenue Bonds,  
Series 2022**

\_\_\_\_\_, 2022

CONTRACT OF PURCHASE

City of Ukiah  
300 Seminary Avenue  
Ukiah, CA 95482  
Attention: City Manager

Ukiah Public Financing Authority  
300 Seminary Avenue  
Ukiah, CA 95482  
Attention: Executive Director

Ladies and Gentlemen:

RBC Capital Markets, LLC (the “Underwriter”) acting on behalf of itself and not as an agent or representative of you, offers to enter into this purchase contract (the “Purchase Contract”) with the City of Ukiah (the “City”) and the Ukiah Public Financing Authority (the “Authority”), which will be binding upon the City, the Authority and the Underwriter upon the acceptance hereof by the City and the Authority. This offer is made subject to its acceptance by the City and the Authority by execution of this Purchase Contract and its delivery to the Underwriter, on or before 8:00 p.m., California time, on the date hereof. All terms used herein and not otherwise defined shall have the meanings given to such terms in the Official Statement, the Indenture, and the Installment Purchase Agreement (as such terms are hereafter defined).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase, and the Authority hereby agrees to cause to be delivered to the Underwriter, all (but not less than all) of \$ \_\_\_\_\_ aggregate principal amount of the Ukiah Public Financing Authority Electric Revenue Bonds, Series 2022 (the “Series 2022 Bonds”). The Series 2022 Bonds will mature in the amounts and on the dates and bear interest at the rates set forth on Exhibit A hereto. The Underwriter will purchase the Series 2022 Bonds for the aggregate purchase price of \$ \_\_\_\_\_ (representing the aggregate principal amount of the Series 2022 Bonds plus a reoffering premium of \$ \_\_\_\_\_ and less an underwriting discount of \$ \_\_\_\_\_).

2. Description and Purpose of the Series 2022 Bonds. The Series 2022 Bonds shall be executed and delivered pursuant to an Indenture of Trust dated as of \_\_\_\_\_, 2022 (the “Indenture”) by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (“BONY”). The Series 2022 Bonds are special limited obligations of the Authority

and are payable solely from the revenues and from certain other amounts on deposit in funds and accounts as described in the Indenture. Such revenues will consist primarily of amounts received by the Authority (the “Installment Payments”) pursuant to the Installment Purchase Agreement dated as of \_\_\_\_\_, 2022 (the “Installment Purchase Agreement”), between the Authority and the City and all interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture. The Series 2022 Bonds shall be as described in the Indenture and the Official Statement dated \_\_\_\_\_, 2022, relating to the Series 2022 Bonds (which, together with all exhibits and appendices included therein or attached thereto and such amendments or supplements thereto which shall be approved by the Underwriter, is hereinafter called the “Official Statement”).

The Series 2022 Bonds are being issued to (i) finance improvements to the Electric System of the City, and (ii) pay certain costs incurred in connection with the issuance of the Bonds.

3. Public Offering. The Underwriter agrees to make an initial bona fide public offering of all the Series 2022 Bonds at the public offering prices set forth on the inside cover page of the Official Statement. Subsequent to the initial public offering, the Underwriter reserves the right to change the initial public offering prices as it deems necessary in connection with the marketing of the Series 2022 Bonds, provided that the Underwriter shall not change the interest rates set forth on Exhibit A hereto. The Underwriter may offer and sell the Series 2022 Bonds to certain dealers (including dealers depositing the Series 2022 Bonds into investment trusts) and others at prices lower than initial public offering prices. The Underwriter also reserves the right (i) to engage in transactions that stabilize, maintain or otherwise affect the market price of the Series 2022 Bonds at a level above that which might otherwise prevail in the open market and (ii) to discontinue such transactions, if commenced, at any time.

4. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Authority in establishing the issue price of the Series 2022 Bonds and shall execute and deliver to the Authority at Closing (as defined herein) an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit E, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series 2022 Bonds.

(b) [Except as otherwise set forth in Exhibit A attached hereto,] [T][t]he Authority will treat the first price at which 10% of each maturity of the Series 2022 Bonds (the “10% test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). Exhibit A attached hereto sets forth the maturities of the Series 2022 Bonds for which the 10% test has been satisfied as of the date of this Purchase Contract (the “General Rule Maturities”) and the prices at which the Underwriter has sold such General Rule Maturities to the public.

(c) The Underwriter confirms that: any selling group agreement and any third-party distribution agreement (to which the Underwriter is a party) relating to the initial sale of the Series 2022 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(i) to report the prices at which it sells to the public the unsold Series 2022 Bonds of each maturity allocated to it, whether or not the Closing Date (as defined herein) has occurred, until either all Series 2022 Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Series 2022 Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter and as set forth in the related pricing wires,

(ii) to promptly notify the Underwriter of any sales of Series 2022 Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Series 2022 Bonds to the public (each such term being used as defined below),

(iii) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the Underwriter shall assume that each order submitted by the underwriter, dealer or broker-dealer is a sale to the public. (D) any selling group agreement relating to the initial sale of the Series 2022 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Series 2022 Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Series 2022 Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Series 2022 Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or such underwriter or dealer that the 10% test has been satisfied as to the Series 2022 Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or such underwriter or dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the underwriter or the dealer and as set forth in the related pricing wires.

(d) The Authority acknowledges that, in making the representations set forth in this subsection, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Series 2022 Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Series 2022 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2022 Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in

the event that a third-party distribution agreement was employed in connection with the initial sale of the Series 2022 Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing the issue price of the Series 2022 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2022 Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Authority further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Series 2022 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2022 Bonds.

(e) The Underwriter acknowledges that sales of any Series 2022 Bonds to any person that is a related party to an underwriter participating in the initial sale of the Series 2022 Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) “public” means any person other than an underwriter or a related party,

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the Underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2022 Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2022 Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Series 2022 Bonds to the public),

(iii) a purchaser of any of the Series 2022 Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “sale date” means the date of execution of this Purchase Contract by all parties.

5. Delivery of Official Statement. Pursuant to the authorization of the Authority and the City, the Underwriter has distributed copies of the Preliminary Official Statement dated

\_\_\_\_\_, 2022, relating to the Series 2022 Bonds, which, together with the cover page and appendices thereto, is herein called the “Preliminary Official Statement.” By their execution of this Purchase Contract, the Authority hereby approves and ratifies the distribution and use by the Underwriter of the Preliminary Official Statement (other than the section entitled “THE CITY” and Appendix A to the Preliminary Official Statement) and the City hereby approves and ratifies the distribution and use by the Underwriter of the section entitled “THE CITY” and Appendix A to the Preliminary Official Statement (the “City Portion”). The Authority agrees to execute and deliver a final Official Statement in substantially the same form as the Preliminary Official Statement with such changes as may be made thereto with the consent of the Authority and/or the City and the Underwriter, as appropriate, and to provide copies thereof to the Underwriter as set forth in Paragraph 7(a)(xiv) hereof. The City and the Authority hereby authorize the Underwriter to use and distribute, in connection with the offer and sale of the Series 2022 Bonds: the Preliminary Official Statement, the Official Statement, the Indenture, the Installment Purchase Agreement, the Continuing Disclosure Certificate (as hereinafter defined), and other documents or contracts to which the City or the Authority is a party in connection with the transactions contemplated by this Purchase Contract, including this Purchase Contract and all information contained herein, and all other documents, certificates and statements furnished by the City or the Authority to the Underwriter in connection with the transactions contemplated by this Purchase Contract.

6. The Closing. At 8:00 a.m., California time, on \_\_\_\_\_, 2022, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the City, the Authority and the Underwriter, the Authority will cause to be executed and delivered (i) the Series 2022 Bonds in book-entry form through the facilities of The Depository Trust Company, or its agent, on behalf of the Underwriter, and (ii) the closing documents hereinafter mentioned at the offices of Jones Hall, A Professional Law Corporation (“Bond Counsel”) in San Francisco, California or another place to be mutually agreed upon by the City, the Authority and the Underwriter. The Underwriter will accept such delivery of the Series 2022 Bonds and pay the purchase price of such Series 2022 Bonds as set forth in Section 1 hereof in immediately available funds to the order of the City. This payment for and delivery of the Series 2022 Bonds, together with the execution and delivery of the aforementioned documents, is herein called the “Closing.”

7. (a) City Representations, Warranties and Covenants. The City represents, warrants and covenants to the Underwriter that:

(i) Due Organization, Existence and Authority. The City is duly organized and existing under the Constitution and laws of the State of California (the “State”), with full right, power and authority to execute, deliver and perform its obligations under this Purchase Contract, the Installment Purchase Agreement and the Continuing Disclosure Certificate (collectively, the “City Documents”) and to carry out and consummate the transactions contemplated by the City Documents and the City Portion of the Preliminary Official Statement and the Official Statement.

(ii) Due Authorization and Approval. By all necessary official action of the City, the City has duly authorized and approved the delivery of and the performance by the City of the obligations contained or described in the City Portion of the Preliminary Official Statement and the City Portion of the Official Statement and the execution and delivery of and the

performance by the City of the obligations contained or described in the City Documents, and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming the authorization, execution and delivery by the other parties thereto, each City Document will constitute the legally valid and binding obligation of the City enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws or equitable principles relating to or affecting creditors' rights generally or by the exercise of judicial discretion in appropriate cases or by limitations on legal remedies against public agencies in the State.

(iii) City Portion of Official Statement Accurate and Complete. The City Portion of the Preliminary Official Statement was as of its date, and the City Portion of the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the City Portion of the Preliminary Official Statement contained as of its date and as of the date hereof and the City Portion of the Official Statement contains, and up to and including the Closing, will contain no misstatement of any material fact and do not, and up to and including the Closing, will not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading (except no representation is made with respect to information relating to [the Insurer, the Policy, or the Surety Bonds, or information relating to DTC or DTC's book-entry system or any information provided by the Underwriter for inclusion in the Preliminary Official Statement or the Official Statement, including but not limited to the information contained under the caption "Underwriting" (collectively, the "Excluded Information"). All financial projections for future fiscal years included in the Official Statement are developed using assumptions and opinions, and shall not be considered an expectation of performance or an actual outcome of the financial characteristic of the City.

(iv) Underwriter's Consent to Amendments and Supplements to City Portion of the Official Statement. The City will advise the Underwriter promptly of any proposal to amend or supplement the City Portion of the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The City will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the City Portion of the Official Statement in connection with the offering, sale or distribution of the Series 2022 Bonds.

(v) City Agreement to Amend or Supplement City Portion of the Official Statement. If after the date of this Purchase Contract and until 25 days after the end of the "underwriting period" (as defined in Section 240 15c2-12 in Chapter II of Title 17 of the Code of Federal Regulations ("Rule 15c2-12")), any event occurs as a result of which the City Portion of the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and, in the reasonable opinion of the Underwriter, an amended or supplemented City Portion of the Official Statement should be delivered in connection with the offers or sales of the Series 2022 Bonds to reflect such event, the City promptly will prepare at its expense an amendment or supplement which will correct such statement or omission and the City shall promptly furnish to the

Underwriter a reasonable number of copies of such amendment or supplement. The Underwriter hereby agrees to deposit the Official Statement with the Municipal Securities Rulemaking Board (the “MSRB”). The Underwriter acknowledges that the end of the “underwriting period” will be the date of Closing, unless the Underwriter otherwise informs the City in writing on or prior to the date of Closing.

(vi) No Material Change in Finances. Except as otherwise described in the City Portion of the Preliminary Official Statement and the Official Statement, there shall not have been any material adverse changes in the financial condition of the City since the end of the fiscal year ending [June 30], 2021.

(vii) No Breach or Default. As of the time of acceptance hereof, (A) the City is not in default, nor has it been in default, as to principal or interest with respect to an obligation issued or incurred by the City, and (B) the City is not and will not be, in any manner which would materially adversely affect the transactions contemplated by the City Documents, in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the City is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute, in any manner which would materially adversely affect the transactions contemplated by the City Documents, a default or event of default under any such instrument; and, as of such time, the authorization, execution and delivery of the City Documents and compliance with the provisions of each of such agreements or instruments do not and will not, in any manner which would materially adversely affect the transactions contemplated by the City Documents, conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the City (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery 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 its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the City Documents.

(viii) No Litigation. As of the time of acceptance hereof and as of the date of Closing, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending or, except as disclosed in the City Portion of the Preliminary Official Statement and the Official Statement, to the best knowledge of the City after due investigation, threatened (A) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (B) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Series 2022 Bonds, or in any way contesting or affecting the validity of the Series 2022 Bonds or the City Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of the interest on the Series 2022 Bonds from gross income for federal income tax purposes, or contesting the powers of the City to enter into the City Documents; (C) which may result in any material adverse change to the financial condition of the City; (D) which may result in any material adverse change to the City’s ability to pay the Installment Payments when due; or (E) contesting the

completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (A) through (E) of this sentence.

(ix) Prior Liens. Except for the Contracts (as defined in the Installment Purchase Agreement), the City will not have outstanding any indebtedness which indebtedness is secured by a lien on the Net Revenues (as defined in the Installment Purchase Agreement) superior to or on a parity with the lien of the Series 2022 Bonds on the Net Revenues;

(x) Further Cooperation: Blue Sky. The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (A) to qualify the Series 2022 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (B) to determine the eligibility of the Series 2022 Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Series 2022 Bonds; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(xi) Consents and Approvals. All authorizations, approvals, licenses, permits, consents and orders of or filings with any governmental authority, legislative body, board, agency or commission having jurisdiction in the matters 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 in connection with, the City Documents have been duly obtained or made, except as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Series 2022 Bonds.

(xii) No Other Obligations. Between the date of this Purchase Contract and the date of Closing and except as otherwise disclosed in the City Portion of the Official Statement, the City will not, without the prior written consent of the Underwriter, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, directly or contingently payable from the Net Revenues.

(xiii) Certificates. Any certificate signed by any official of the City and delivered to any of the Underwriter shall be deemed to be a representation and warranty by the City to the Underwriter as to the statements made therein.

(xiv) Compliance with Rule 15c2-12. The City Portion of the Preliminary Official Statement heretofore delivered to the Underwriter has been deemed final by the City as of the date of the Preliminary Official Statement, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(i) of Rule 15c2-12. The City hereby

covenants and agrees that, within seven business days from the date hereof, it shall cause a final word searchable form of the City Portion of the Official Statement to be delivered to the Underwriter in sufficient quantity to comply with paragraph (b)(4) of Rule 15c2-12 and Rules of the MSRB.

(xv) Continuing Disclosure. Other than as disclosed in the Preliminary Official Statement and the Official Statement, during the past five years, the City has not failed to comply in any material respect with any continuing disclosure undertaking previously entered into by the City pursuant to Rule 15c2-12 of the Securities and Exchange Commission. The City will undertake, pursuant to a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), to provide annual reports and notices of certain events in accordance with the requirements of Rule 15c2-12. A form of the Continuing Disclosure Certificate is set forth in an Appendix to the Official Statement relating to the City.

(b) Authority Representations, Warranties and Covenants. The Authority represents, warrants and covenants to the Underwriter that:

(i) Due Organization, Existence and Authority. The Authority is a joint exercise of powers agency duly organized and existing under a Joint Exercise of Powers Agreement, dated May 5, 2020, between the City and \_\_\_\_\_ under the Constitution and laws of the State, with full right, power and authority to execute, deliver and perform its obligations under this Purchase Contract, the Indenture and the Installment Purchase Agreement (collectively, the “Authority Documents”), and to carry out and consummate the transactions contemplated by the Authority Documents and the Preliminary Official Statement and the Official Statement, excluding the City Portion (the “Authority Portion”).

(ii) Due Authorization and Approval. By all necessary official action of the Authority, the Authority has duly authorized and approved the delivery of, and the performance by the Authority of the obligations contained or described in the Authority Portion of the Preliminary Official Statement and the Authority Portion of the Official Statement and the execution and delivery of, and the performance by the Authority of the Authority Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming the authorization, execution and delivery by the other parties thereto, each Authority Document and the Series 2022 Bonds will constitute the legally valid and binding obligation of the Authority enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws or equitable principles relating to or affecting creditors’ rights generally or by the exercise of judicial discretion in appropriate cases or by limitations on legal remedies against public agencies in the State.

(iii) Authority Portion of the Official Statement Accurate and Complete. The Authority Portion of the Preliminary Official Statement was as of its date and is as of the date hereof, and the Authority Portion of the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Authority Portion of the Preliminary Official Statement and the Authority Portion of the Official Statement contain, and up to and including the Closing, will contain no misstatement of any material fact and do not, and up to and including the Closing, will

not omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading (except no representation is made with respect to information relating to the Excluded Information).

(iv) Underwriter's Consent to Amendments and Supplements to Authority Portion of the Official Statement. The Authority will advise the Underwriter promptly of any proposal to amend or supplement the Authority Portion of the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The Authority will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Authority Portion of the Official Statement in connection with the offering, sale or distribution of the Series 2022 Bonds.

(v) Authority Agreement to Amend or Supplement Authority Portion of the Official Statement. If after the date of this Purchase Contract and until 25 days after the end of the "underwriting period" (as defined in Rule 15c2-12), any event occurs as a result of which the Authority Portion of the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and, in the reasonable opinion of the Underwriter, an amended or supplemented the Official Statement should be delivered in connection with the offers or sales of the Series 2022 Bonds to reflect such event, the Authority promptly will prepare at its expense an amendment or supplement which will correct such statement or omission and the Authority shall promptly furnish to the Underwriter a reasonable number of copies of such amendment or supplement. The Underwriter hereby agrees to deposit the Official Statement with the MSRB. The Underwriter acknowledges that the end of the "underwriting period" will be the date of the Closing, unless the Underwriter otherwise informs the Authority in writing on or prior to the date of Closing.

(vi) Compliance with Rule 15c2-12. The Authority Portion of the Preliminary Official Statement heretofore delivered to the Underwriter has been deemed final by the Authority as of the date of the Preliminary Official Statement, except for the omission of such information as is permitted to be omitted in accordance with paragraph (b)(i) of Rule 15c2-12. The Authority hereby covenants and agrees that, within seven business days from the date hereof, it shall cause a final form of the Official Statement to be delivered to the Underwriter in sufficient quantity to comply with paragraph (b)(4) of Rule 15c2-12 and Rules of the MSRB.

8. Closing Conditions. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and covenants herein and the performance by the City and the Authority of their respective obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter's obligations under this Purchase Contract are and shall be subject to the following additional conditions:

(a) Bring-Down Representation. The representations, warranties and covenants of the City and the Authority contained herein, shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) Executed Agreements and Performance Thereunder. At the time of the Closing (i) the City Documents and the Authority Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter, (ii) there shall be in full force and effect such resolutions (the “Resolutions”) as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated by the Official Statement, the City Documents and the Authority Documents, (iii) the City shall perform or have performed its obligations required or specified in the City Documents to be performed at or prior to Closing, (iv) the Authority shall perform or have performed its obligations required or specified in the Authority Documents to be performed at or prior to Closing, and (v) the Official Statement shall not have been supplemented or amended, except pursuant to Paragraphs 7(a)(iv), 7(a)(v), 7(b)(iv), and 7(b)(v) hereof or as otherwise may have been agreed to in writing by the Underwriter.

(c) No Default. At the time of the Closing, no default, or any event that with the passage of time would be reasonably likely to result in default, shall have occurred or be existing under the Resolutions, the Authority Documents, the City Documents, or any other agreement or document pursuant to which any of the City’s financial obligations were issued and the City shall not be in default in the payment of principal or interest on any of its financial obligations which default would materially adversely impact the ability of the City to make the Installment Payments.

(d) Termination Events. The Underwriter shall have the right to terminate this Purchase Contract, without liability therefor, by written notification to the City if at any time at or prior to the Closing:

(i) Legislation shall have been introduced in or favorably reported for passage by the State of California, in either house of the Congress of the United States of America by any committee of such house to which legislation has been referred for consideration or has been enacted (or resolution passed) by the Congress of the United States of America or recommended to the Congress by the President of the United States, the Department of the Treasury, the Internal Revenue Service, or any member of Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation had been referred for consideration, or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Treasury Department of the United States of America or the Internal Revenue Service, affecting (directly or indirectly) the federal or state taxation of interest received on obligations of the general character of the Series 2022 Bonds which, in the judgment of the Underwriter, materially adversely affects the market price or the marketability of the Series 2022 Bonds, or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Series 2022 Bonds;

(ii) Legislation shall have been introduced in or favorably reported for passage by either house of the United States Congress by any committee of such house to which such legislation has been referred for consideration, or has been enacted (or resolution passed) by the Congress or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued

or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Series 2022 Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering or sale of obligations of the general character of the Series 2022 Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise is or would be in violation of the federal securities laws as amended and then in effect;

(iii) A general suspension of trading in securities on the New York Stock Exchange, or the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Series 2022 Bonds, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter, or a general banking moratorium or limits on loans or the amounts of loans to investment banking firms in general shall have been declared by federal, State of New York or State of California officials authorized to do so, which in the judgment of the Underwriter materially adversely affects the market price or the marketability of the Series 2022 Bonds, or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Series 2022 Bonds;

(iv) The introduction, proposal or enactment of any amendment to the United States Constitution or California Constitution or any action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the City, its property, income, securities (or interest thereon), the validity or enforceability of the Resolution, the Indenture or the Series 2022 Bonds;

(v) Any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or in the Official Statement, or has the effect that the Preliminary Official Statement or the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(vi) There shall have occurred (1) any outbreak or increase of hostilities or terrorism or other local, national or international event, act, or occurrence (or the escalation thereof); or (2) any calamity or crisis in the financial markets in the United States (or the escalation thereof); or (3) a downgrade of the sovereign debt rating of the United States by any major credit rating agency or payment default on United States Treasury obligations, which, in the reasonable judgment of the Underwriter, materially adversely affects the market price or marketability of the Series 2022 Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Series 2022 Bonds;

(vii) There shall have been any material change in the affairs of the City and the City refuses to permit the Official Statement to be supplemented in a manner satisfactory to the Underwriter, or the Official Statement shall have been supplemented pursuant to Section

8(k) hereof, and in the reasonable judgment of the Underwriter, such change or supplement materially affects the marketability of the Series 2022 Bonds or the market price of the Series 2022 Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices (or yields), of the Series 2022 Bonds;

(viii) (i) Any rating of the Series 2022 Bonds shall have been downgraded, suspended or withdrawn by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Series 2022 Bonds, or (ii) there shall have been any official statement as to a possible downgrading (such as being placed on "credit watch" or "negative outlook" or any similar qualification) of any rating of any debt securities issued by the City, including the Series 2022 Bonds;

(ix) An order, decree or injunction of any court of competent jurisdiction, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Series 2022 Bonds, or the issuance, offering or sale of the Series 2022 Bonds, including any or all underlying obligations, as contemplated hereby or by the Preliminary Official Statement of the Official Statement, is or would be in violation of any applicable law, rule or regulation, including (without limitation) any provision of applicable federal securities law as amended and then in effect;

(x) A stop order, ruling, regulation or official statement by the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall have been made or any other event occurs, the effect of which is that the issuance, offering or sale of the Series 2022 Bonds, or the execution and delivery of the Legal Documents as contemplated hereby or by the Preliminary Official Statement or the Official Statement, is or would be in violation of any applicable law, rule or regulation, including (without limitation) any provision of applicable federal securities laws, including the Securities Act of 1933, as amended, the Securities and Exchange Act of 1934, as amended, or the Trust Indenture Act, each as amended and as then in effect; or

(xi) Any litigation shall be instituted or be pending at the time of the Closing to restrain or enjoin the issuance, sale or delivery of the Series 2022 Bonds, or in any way contesting or affecting any authority for or the validity of the proceedings, authorizing and approving the Series 2022 Bonds, the Act, the Resolution, the Legal Documents or the existence or powers of the City with respect to its obligations under the Legal Documents or the Series 2022 Bonds.

(e) Closing Documents. At or prior to the Closing, the Underwriter shall receive with respect to the Series 2022 Bonds the following documents:

(i) Bond Opinion. The approving opinion of Bond Counsel dated the date of the Closing and substantially in the form included as Appendix E to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter and the Trustee, to the effect that the foregoing opinions addressed to the Authority may be relied upon by the Underwriter and the Trustee to the same extent as if such opinions were addressed to them.

(ii) Supplemental Opinion. A supplemental opinion or opinions of Bond Counsel substantially in the form attached hereto as Exhibit B, dated the date of the Closing and addressed to the Underwriter;

(iii) Disclosure Counsel Letter. A negative assurance letter relating to the Official Statement, substantially in the form attached hereto as Exhibit C, from Jones Hall, as disclosure counsel to the Authority, dated the date of the Closing and addressed to the Underwriter.

(iv) City Counsel Opinion. An opinion of \_\_\_\_\_, general counsel to the City, dated the date of the Closing and addressed to the Underwriter, substantially in the form attached hereto as Exhibit D;

(v) Authority Counsel Opinion. An opinion of \_\_\_\_\_, general counsel to the Authority, dated the date of the Closing and addressed to the Underwriter, substantially in the form attached hereto as Exhibit E;

(vi) BONY Counsel Opinion. The opinion of counsel to BONY, dated the date of the Closing, addressed to the City and the Underwriter, to the effect that:

(A) BONY is a national banking association duly organized and validly existing under the laws of the jurisdiction of its origin and has the corporate power to execute and deliver the Indenture and to perform its obligations under the Indenture;

(B) The execution and delivery by BONY of the Indenture and any other documentation relating to the Indenture and its performance of its obligations under the Indenture, have been and are as of the date hereof duly authorized by all necessary corporate action;

(C) No approval, authorization or other action by, or filing with, any governmental body or regulatory authority (which has not been obtained) is required in connection with the due execution, delivery and performance by BONY of the Indenture; and

(D) The Indenture have been duly executed and delivered and constitute the valid and legally binding obligations of BONY enforceable against it in accordance with their terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought as a proceeding in equity or at law).

(vii) Underwriter's Counsel Opinion. The opinion of Nixon Peabody LLP, Los Angeles, California, Counsel to the Underwriter dated the Closing Date addressed to the Underwriter, in form and substance satisfactory to the Underwriter.

(viii) City Certificate. A certificate of the City, dated the date of the Closing, signed on behalf of the City by the General Manager or other duly authorized officer of the City to the effect that:

(A) The representations, warranties and covenants of the City contained in the Purchase Contract are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the City has complied with all of, the terms and conditions of the Purchase Contract required to be complied with by the City at or prior to the date of the Closing;

(B) No event affecting the City has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the City Portion of the Official Statement in order to make the statements in the City Portion of the Official Statement, in the light of the circumstances under which they were made, not misleading (except no representation is made with respect to information relating to the Excluded Information); and

(C) No event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute an event of default under the City Documents.

(ix) Authority Certificate. A certificate of the Authority, dated the date of the Closing, signed on behalf of the Authority by a duly authorized officer of the Authority to the effect that:

(A) The representations, warranties and covenants of the Authority contained in the Purchase Contract are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the Authority has complied with all of the terms and conditions of the Purchase Contract required to be complied with by the Authority at or prior to the date of the closing;

(B) No event affecting the Authority has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Authority Portion of the Official Statement in order to make the statements in the Authority Portion of the Official Statement, in the light of the circumstances under which they were made, not misleading (except no representation is made with respect to information relating to the Excluded Information); and

(C) No event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute an event of default under the Authority Documents.

(x) Certificate of BONY. A certificate, dated the date of Closing, signed by a duly authorized official of BONY satisfactory in form and substance to the Underwriter, to the effect that:

(A) BONY is duly organized and existing as a national banking association under the laws of the United States of America, having the full corporate power and authority to enter into and perform its duties under the Indenture;

(B) BONY is duly authorized to enter into the Indenture and has duly executed and delivered the Indenture, and assuming due authorization and execution by the

other parties thereto, the Indenture is the legal, valid and binding upon BONY, and enforceable against BONY in accordance with its terms;

(C) BONY, acting as the trustee under the Indenture, has duly executed the Series 2022 Bonds under the Indenture and delivered the Series 2022 Bonds to or upon the order of the Underwriter; and

(D) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of BONY that has not been obtained is or will be required for the execution and delivery of the Series 2022 Bonds or the consummation by BONY of its obligations under the Indenture.

(xi) Transcripts. Two transcripts of all proceedings relating to the authorization, execution and delivery of the Series 2022 Bonds.

(xii) Official Statement. The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the Authority by duly authorized officers thereof.

(xiii) Documents. An original executed copy of each of the Authority Documents and each of the City Documents.

(xiv) City Resolution. A certified copy of each resolution of the City authorizing the City Documents, certified by the Secretary for the City.

(xv) Authority Resolution. A certified copy of each Authority Resolution, certified by the Secretary or Assistant Secretary of the Authority.

(xvi) Resolution of BONY. A certified copy of the general resolution of BONY authorizing the execution and delivery of certain documents by certain officers and employees of BONY, which resolution authorizes the execution and delivery of the Indenture by BONY.

(xvii) 15c2-12 Certificates of the City and the Authority. Certificates of the City and the Authority “deeming final” their respective portions of the Preliminary Official Statement for purposes of Rule 15c2-12.

(xviii) CDIAC Statements. A copy of Notices of Sale required to be delivered to the California Debt Investment Advisory Commission pursuant to Sections 8855(g) and 53583 of the California Government Code.

(xix) Ratings. Evidence that the Series 2022 Bonds have been assigned an underlying rating of “\_\_\_\_\_” from \_\_\_\_.

(xx) Continuing Disclosure Certificate. An executed copy of the Continuing Disclosure Certificate.

(xxi) Additional Documents. Such additional certificates, instruments and other documents as the Underwriter may reasonably deem necessary.

If the City or the Authority shall be unable to satisfy the conditions contained in this Purchase Contract, or if the obligations of the Underwriter shall be terminated by the Underwriter for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and none of the Underwriter, the City nor the Authority shall be under further obligation hereunder, except as further set forth in Section 9 hereof.

9. Expenses. (a) All costs and expenses incident to the sale and delivery of the Bonds to the Underwriter shall be payable by the Authority from the proceeds of the Bonds, including, but not limited to: (i) all advertising expenses in connection with the offering of the Bonds; (ii) the fees and expenses of the City, its counsel, municipal advisor and consultants; (iii) the fees and expenses of the Authority, its counsel and consultants; (iv) the fees and expenses of Bond Counsel; (v) the fees and expenses of Disclosure Counsel; (vi) all expenses in connection with the preparation and printing of the Bonds; (vii) all expenses in connection with the preparation, printing, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto; (viii) the initial fees and expenses of the Trustee, including the reasonable fees and expenses of its counsel; and (ix) the fees and expenses of any rating agency rating the Bonds.

(b) The Underwriter shall pay all expenses incurred by them in connection with the public offering and distribution of the Bonds including, but not limited to: (i) the fees and disbursements of Underwriter' Counsel, and (ii) all out-of-pocket disbursements and expenses incurred by the Underwriter in connection with the offering and distribution of the Bonds, including, air travel and hotel accommodations in connection with the pricing of the Bonds; investor meetings, rating agency trips and meetings; the Closing; meals and transportation for the City, the Underwriter and other working group personnel during rating agency, investor meetings; pricing and Closing trips; expenses related to attending working group meetings, such as parking, meals and transportation and any other miscellaneous costs associated with the Closing; (iii) all other expenses incurred by the Underwriter in connection with the public offering and distribution of Bonds, except as provided in Section 10(a) hereof or as otherwise agreed to by the Underwriter, the Authority and the City; and (iv) the fees of the California Debt and Investment Advisory Commission. Such items may be included as an expense component of the Underwriter's discount.

(c) The Authority and the City acknowledge that they have had an opportunity, in consultation with such advisors as they may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

#### 10. Notice.

Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing to:

City of Ukiah  
300 Seminary Avenue  
Ukiah, CA 95482  
Attention: City Manager

Any notice or other communication to be given to the Authority under this Purchase Contract may be given by delivering the same in writing to:

Ukiah Public Financing Authority  
300 Seminary Avenue  
Ukiah, CA 95482  
Attention: Executive Director

Any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to:

RBC Capital Markets, LLC  
777 S. Figueroa Street, Suite 850  
Los Angeles, California 90017  
Attention: \_\_\_\_\_

11. Entire Agreement. This Purchase Contract, when accepted by the City and the Authority, shall constitute the entire agreement among the City, the Authority and the Underwriter with respect to the subject matter hereof and is made solely for the benefit of the City, the Authority and the Underwriter (including the successors of the Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All of the representations, warranties and agreements of the City and the Authority in this Purchase Contract shall remain operative and in full force and effect except as otherwise provided herein, regardless of any investigations made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Series 2022 Bonds.

12. No Advisory or Fiduciary Role. The City and Authority acknowledge and agree that (i) the purchase and sale of the Series 2022 Bonds pursuant to this Purchase Contract is an arm's-length commercial transaction among the City, the Authority and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent, advisor or fiduciary of the City or the Authority, (iii) the Underwriter has not assumed an advisory, fiduciary or municipal advisory responsibility in favor of the City or the Authority with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or are currently providing other services to the City and the Authority on other matters) and the Underwriter have no obligation to the City or the Authority with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract and (iv) the City and Authority have consulted their own legal, financial, municipal advisory, and other advisors to the extent deemed appropriate.

13. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

15. STATE LAW GOVERNS. THE VALIDITY, IN INTERPRETATION AND PERFORMANCE OF THIS PURCHASE CONTRACT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

16. No Assignment. The rights and obligations created by this Purchase Contract shall not be subject to assignment by the Underwriter, the Authority or the City without the prior written consent of the other party hereto.

RBC CAPITAL MARKETS, LLC

By: \_\_\_\_\_  
Managing Director

Accepted as of the date  
first stated above:

CITY OF UKIAH

By: \_\_\_\_\_  
\_\_\_\_\_

UKIAH PUBLIC FINANCING AUTHORITY

By: \_\_\_\_\_  
\_\_\_\_\_

EXHIBIT A

\$ \_\_\_\_\_  
**UKIAH PUBLIC FINANCING AUTHORITY  
ELECTRIC REVENUE BONDS, SERIES 2022**

<b><u>Maturity (March 1)</u></b>	<b><u>Principal Amount (\$)</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>Price</u></b>	<b><u>10% Of Maturity Sold</u></b>
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*C Priced to par call date of \_\_\_\_\_, 20\_\_\_\_*

EXHIBIT B

## (FORM OF SUPPLEMENTAL OPINION OF BOND COUNSEL)

Upon the initial issuance of the Bonds, Jones Hall, Bond Counsel, proposes to deliver a supplemental opinion to the Underwriter in substantially the form set forth below:

\_\_\_\_\_, 2022

RBC Capital Markets, LLC  
777 S. Figueroa Street, Suite 850  
Los Angeles, California 90017

Re: Ukiah Public Financing Authority  
Electric Revenue Bonds, Series 2022

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Ukiah Public Financing Authority (the "Authority"), a joint exercise of powers agency organized and existing under the laws of the State of California, of \$\_\_\_\_\_ aggregate principal amount of Ukiah Public Financing Authority Electric Revenue Bonds, Series 2022 (the "Bonds"), under and pursuant to the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as amended (the "Government Code") and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (collectively, the "Act"), and under and pursuant to the Indenture of Trust (the "Indenture"), dated as of \_\_\_\_\_, 2022 by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee. Capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Indenture.

On the date hereof, we delivered to the Authority our opinion relating to, among other things, the validity of the Bonds and the Indenture (the "Approving Opinion"). You are authorized to rely upon the Approving Opinion as if addressed to you.

Based upon the foregoing and our review of such other information, documents and matters of law as we considered necessary and in reliance on the foregoing, as appropriate, we are of the opinion that:

(i) The Purchase Contract, dated \_\_\_\_\_, 2022 (the "Purchase Contract"), by and among the Authority, the City of Ukiah and RBC Capital Markets, LLC. (the "Underwriter"), relating to the Bonds, has been duly authorized, executed and delivered by the Authority, and assuming due authorization, execution and delivery by you as the Underwriter, is a valid and binding agreement of the Authority enforceable in accordance with its terms;

(ii) The statements contained in the Official Statement dated \_\_\_\_\_, 2022 for the Bonds (the "Official Statement") under the captions "INTRODUCTION," "PLAN OF FINANCE", "THE BONDS," "SECURITY FOR THE BONDS", "BOND OWNER'S RISK",

“TAX MATTERS,” in APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS,” and in APPENDIX D – “FORM OF OPINION OF BOND COUNSEL,” insofar as such statements purport to summarize certain provisions of the Bonds and certain provisions of the Installment Purchase Agreement, the Indenture and our Approving Opinion with respect to certain federal and state income tax matters related to the Bonds, are accurate in all material respects; and

(iii) The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Purchase Contract, the Indenture, the Installment Purchase Agreement and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Indenture, the Installment Purchase Agreement or the Bonds, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture, the Installment Purchase Agreement or the Bonds, or the accuracy or sufficiency of the description of such assets, or the remedies available to enforce liens on, any such assets.

Except as expressly set forth in the Approving Opinion, we express no opinion regarding any tax consequences with respect to the Bonds. No opinion is expressed herein with respect to the compliance with, or applicability of, any “blue sky” laws of any state as they relate to the offer or sale of the Bonds.

This opinion is limited to matters governed by the laws of California and federal securities laws, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

This letter is being furnished to you solely for your benefit in connection with your purchase of the Bonds in accordance with the Purchase Contract and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person without our prior written consent. This letter is not intended to and may not be relied upon by owners of the Bonds or any beneficial interest therein or any other party to which it is not addressed. No attorney-client relationship has existed or exists between the Underwriter and our firm in connection therewith or by virtue of this letter.

Respectfully submitted,

B-2

EXHIBIT C

## (FORM OF DISCLOSURE COUNSEL OPINION)

\_\_\_\_\_, 2022

RBC Capital Markets, LLC  
 777 S. Figueroa Street, Suite 850  
 Los Angeles, California 90017

Re:     \$ \_\_\_\_\_ *Ukiah Public Financing Authority Electric Revenue Bonds, Series 2022*

Ladies and Gentlemen:

We have acted as disclosure counsel for the City of Ukiah (the “City”) in connection with the issuance of the above-referenced bonds (the “Bonds”). The Bonds are being purchased by you pursuant to a Bond Purchase Contract, dated \_\_\_\_\_, 2022 (the “Purchase Contract”), by and among the Ukiah Public Financing Authority (the “Authority”), the City and you, as the underwriter of the Bonds (the “Underwriter”). All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Purchase Contract.

In rendering the advice contained herein, we have examined originals or copies certified or otherwise identified to our satisfaction of: (i) the Purchase Contract; (ii) the executed Indenture of Trust, dated as of \_\_\_\_\_, 2022, by and between the Authority and The Bank of New York Mellon Trust Company, N.A.; (iii) the Installment Purchase Agreement, dated as of \_\_\_\_\_, 2022 (the “Installment Purchase Agreement”), by and between the City and Authority; (iv) the Continuing Disclosure Certificate of the City dated \_\_\_\_\_, 2022 (the “Continuing Disclosure Certificate”); (v) the Preliminary Official Statement dated \_\_\_\_\_, 2022 and the Official Statement, dated \_\_\_\_\_, 2022 (collectively, the “Official Statement”) relating to the Bonds; (vi) the minutes of the Board of Directors for the period January 1, 2019 through \_\_\_\_\_, 2022, and (vii) the letters, certificates, and opinions delivered to you pursuant to the provisions of the Purchase Contract, including, but not limited to, Section 8(e) thereof. We have not reviewed, and we do not assume any responsibility for any electronic version of the Official Statement and for all purposes of this letter, we have assumed that any electronic version of the Official Statement conforms in all respects to the printed version of the Official Statement.

The conclusions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such conclusions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform you or any other person, whether any such actions are taken or omitted or whether such events do occur or any other matters come to our attention after the date hereof. We have assumed, but not independently verified, that the signatures on all documents, letters, opinions and certificates which we have examined are genuine, that all documents submitted to us are authentic and were duly and properly executed by the parties thereto and that all representations made in the documents that we have reviewed are true and accurate. We have assumed, without

independent verification, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in any opinions referenced in the Official Statement.

By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Purchase Contract, Indenture, the Installment Purchase Agreement, the Continuing Disclosure Certificate, the Bonds or any document referenced in the Official Statement, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Purchase Contract, Indenture, the Installment Purchase Agreement, the Continuing Disclosure Certificate or the Bonds or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets under the Purchase Contract, Indenture, the Installment Purchase Agreement, the Continuing Disclosure Certificate or the Bonds. Our services as disclosure counsel to the City did not involve the rendering of financial or other non-legal advice to you, the City, the Authority or any other party to the transaction.

Although we have not undertaken to determine independently or verify and are not passing upon and do not assume responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement, and are therefore unable to make any representation to you in that regard, we have participated in conferences prior to the date of the Preliminary Official Statement and the Official Statement with your representatives, including separate counsel retained by you, and representatives of the City and the Authority, including the City's General Counsel, the Authority's General Counsel, NHA Advisors, municipal advisor to the City and the Authority, and others, during which conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. Based upon the information made available to us in the course of our participation in such conferences as disclosure counsel to the City, our review of the documents referred to above, our reliance on the oral and written statements of the City and others, the documents, certificates, instructions and records and the opinions of counsel described above and our understanding of applicable law, and subject to the limitations on our role as disclosure counsel to the City, we advise you as a matter of fact but not opinion that no information has come to the attention of the attorneys in the firm performing services for the City as disclosure counsel on this matter which caused us to believe that the Official Statement as of its date contained, or as of the date hereof contains, any untrue statement of a material fact, or as of its date omitted, or as of the date hereof omits, to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect (except that we express no view with respect to: (i) the expressions of opinion, the assumptions, the projections, estimates and forecasts, the charts, the financial statements or other financial, numerical, economic, demographic or statistical data, or assessed valuations contained in the Official Statement; (ii) any CUSIP numbers or information relating thereto; (iii) any information with respect to the Insurer, the Policies, or the Surety Bonds, or any information relating to The Depository Trust Company and its book-entry system; (iv) any information contained in the appendices to the Official Statement; (v) any information incorporated by reference into the Official Statement; (vi) the City's compliance with its obligations to provide notice of the events described in part (b)(5)(i)(C) of Rule 15c2-12 promulgated under the Securities Act of 1934 ("Rule 15c2-12") or to file annual reports described in part (b)(5)(i)(A) of Rule 15c2-12; (vii) any information with respect to the Underwriter or underwriting matters with respect to the Bonds, including but not limited to information under the caption "UNDERWRITING"; and (viii) any information with respect to the ratings on the Bonds and the rating agencies referenced therein, including but not limited to information under the caption "RATING". Finally, we advise you

that, other than reviewing the various certificates and opinions required by Section 8(e) of the Purchase Contract, we have not taken any steps since the date of the Official Statement to verify the accuracy of the statements contained in the Official Statement as of the date hereof. No responsibility is undertaken or opinion rendered with respect to any other disclosure document, materials or activity, or as to any information from another document or source referred to by, or incorporated by reference in, the Official Statement.

By acceptance of this letter you recognize and acknowledge that: (i) the negative assurance above is not an opinion and is based on certain limited activities performed by specific attorneys in our firm in our role as disclosure counsel to the City; (ii) the scope of the activities performed by such attorneys in our role as disclosure counsel to the City and for purposes of delivering such negative assurances were inherently limited and do not purport to encompass all activities necessary for compliance by you or others in accordance with applicable state and federal securities laws; and (iii) the activities performed by such attorneys in our role as disclosure counsel to the City rely in part by representations, warranties, certifications and opinions of other parties to the transaction, including representations, warranties and certifications made by the City.

This letter is being furnished to you solely for your benefit in connection with your purchase of the Bonds in accordance with the Purchase Contract and is not to be used, circulated, quoted or otherwise referred to for any other purpose without our prior written consent. No attorney-client relationship has existed or exists between our firm and you in connection with the issuance of the Bonds or by virtue of this letter. We note you were represented by separate counsel retained by you in connection with the transaction described in the Official Statement. This letter is limited to matters governed by the laws of the State of California and federal securities laws, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

Our engagement as disclosure counsel to the City terminates as of the date hereof, and we have not undertaken any duty, and expressly disclaim any responsibility, to advise you as to events occurring after the date hereof with respect to the Bonds or other matters discussed in the Official Statement. This letter is not intended to, and may not, be relied upon by owners of the Bonds, the owners of any beneficial ownership interest in the Bonds or by any other party to whom it is not addressed.

Respectfully submitted,

EXHIBIT D

## (FORM OF DISTRICT COUNSEL OPINION)

\_\_\_\_\_, 2022

RBC Capital Markets, LLC  
 777 S. Figueroa Street, Suite 850  
 Los Angeles, California 90017

Re: § \_\_\_\_\_ Ukiah Public Financing Authority Electric Revenue Bonds, Series 2022

Ladies and Gentlemen:

We are acting as general counsel to the City of Ukiah (the “City”) in connection with the matters referred to herein. In arriving at the opinions expressed below we have examined and are familiar with the following documents: (i) documents relating to the existence, organization and operation of the City provided to us by the City; (ii) the City Closing Certificate dated December , 2020 and executed by the City’s General Manager regarding the City and the above referenced transaction; (iii) the executed Indenture of Trust, dated as of \_\_\_\_\_, 2022, by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (the “Indenture”); (iv) the Bond Purchase Contract, dated \_\_\_\_\_, 2022 (the “Purchase Contract”), by and among the Authority, the City and you, as the underwriter of the Bonds (the “Underwriter”), the Installment Purchase Agreement, dated as of \_\_\_\_\_, 2022 (the “Installment Purchase Agreement”), by and between the City and the Ukiah Public Financing Authority (the “Authority”), and the Continuing Disclosure Certificate of the City dated \_\_\_\_\_, 2022 (the “Continuing Disclosure Certificate”) (collectively the “City Documents”); (v) all necessary documentation of the City relating to the authorization, execution and delivery of the City Documents; and (vi) the Preliminary Official Statement dated \_\_\_\_\_, 2022 and the Official Statement, dated \_\_\_\_\_, 2022 (collectively, the “Official Statement”) relating to the above referenced bonds (the “Bonds”).

In rendering our opinions herein we have relied only on our examination of the foregoing documents, and we have made no independent verification of the factual matters set forth in such documents. In addition, we have relied on discussions with the officers and Interim General Manager of the City and information made available in the ordinary course of business in our role as general counsel to the City. In rendering the opinions expressed below, we have assumed, but not independently verified, that the signatures on all documents which we have examined are genuine.

Based upon the foregoing, and subject to the qualifications set forth below, we are of the opinion that:

1. The City is duly organized as a [\_\_\_\_\_ under California law].

2. The City Documents have been duly authorized, executed and delivered by the City and the City has full right, power and authority to carry out and consummate all transactions contemplated by the City Documents as of the date of the Official Statement and as of the date hereof.

3. The resolutions of the City approving and authorizing the execution and delivery of the City Documents, and approving the Official Statement, have been duly adopted at a meeting of the governing body of the City, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the resolutions are in full force and effect and have not been modified, amended or rescinded.

4. Based on the information made available to us in our role as general counsel to the City, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained therein, the information in the Official Statement under the captions "LITIGATION — The City," and in Appendix A under the caption "Litigation," is true and accurate to the best of our knowledge at and as of the date of the Official Statement and at and as of the date hereof.

5. Based on information made available to us in our role as general counsel to the City, we know of no litigation, proceeding, action, suit, or investigation (or any basis therefor) at law or in equity before or by any court, governmental agency or body, pending or, to our best knowledge, threatened, against the City challenging the creation, organization or existence of the City, or the validity of the City Documents or seeking to restrain or enjoin the Series 2022 Installment Payments (as such term is defined in the Installment Purchase Agreement) or in any way contesting or affecting the validity of the City Documents or any of the transactions referred to therein or contemplated thereby, or contesting the authority of the City to enter into or perform its obligations under any of the City Documents, or under which a determination adverse to the City would have a material adverse effect upon the financial condition or the revenues of the City, or which, in any manner, questions or affects the right or ability of the City to enter into the City Documents or affects in any manner the right or ability of the City to make the Series 2022 Installment Payments.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the City Documents and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Indenture, the Purchase Contract, the Installment Purchase Agreement, the Continuing Disclosure Certificate, the Bonds or any document referenced in the Official Statement, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture, the Purchase Contract, the Installment Purchase Agreement, the Continuing Disclosure Certificate or the Bonds or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets under the Indenture, the Purchase Contract, the Installment Purchase Agreement, the Continuing Disclosure Certificate or the Bonds. Our services as

general counsel to the City did not involve the rendering of financial or other non-legal advice to you, the City, the Authority or any other party to the transaction.

This opinion is furnished by us to you solely for your benefit and we are not assuming any professional responsibility to any other person whomsoever. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

EXHIBIT E

## (FORM OF AUTHORITY COUNSEL OPINION)

\_\_\_\_\_, 2022

RBC Capital Markets, LLC  
 777 S. Figueroa Street, Suite 850  
 Los Angeles, California 90017

Re: \$ \_\_\_\_\_ Ukiah Public Financing Authority Electric Revenue Bonds, Series 2022

Ladies and Gentlemen:

We are acting as counsel to the Ukiah Public Financing Authority (the “Authority”) in connection with the matters referred to herein. In arriving at the opinions expressed below we have examined and are familiar with the following documents: (i) documents relating to the existence and organization of the Authority provided to us by the Authority; (ii) the Authority Closing Certificate dated \_\_\_\_\_, 2022 and executed by the Authority’s Executive Director regarding the Authority and the above referenced transaction; (iii) the Bond Purchase Contract, dated \_\_\_\_\_, 2022 (the “Purchase Contract”), by and among the Authority, the City and you, as the underwriter of the Bonds (the “Underwriter”), the executed Indenture of Trust, dated as of \_\_\_\_\_, 2022, by and between the Authority and The Bank of New York Mellon Trust Company, N.A. and the executed Installment Purchase Agreement, dated as of \_\_\_\_\_, 2022, by and between the Authority and the City of Ukiah, (collectively the “Authority Documents”); (iv) all necessary documentation of the Authority relating to the authorization, execution and delivery of the Authority Documents; and (v) the Preliminary Official Statement dated \_\_\_\_\_, 2022 and the Official Statement, dated \_\_\_\_\_, 2022 (collectively, the “Official Statement”) relating to the above referenced bonds (the “Bonds”).

In rendering our opinions herein we have relied only on our examination of the foregoing documents, and we have made no independent verification of the factual matters set forth in such documents. In addition, we have relied on discussions with the officers and Executive Director of the Authority and information made available in the ordinary course of business in our role as counsel to the Authority. In rendering the opinions expressed below, we have assumed, but not independently verified, that the signatures on all documents which we have examined are genuine.

Based upon the foregoing, and subject to the qualifications set forth below, we are of the opinion that:

1. The resolutions of the Authority approving and authorizing the execution and delivery of the Authority Documents and approving the Official Statement have been duly adopted at a regular

meeting of the governing body of the Authority, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the resolutions are in full force and effect and have not been modified, amended or rescinded.

2. Based on the information made available to us in our role as counsel to the Authority, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained therein, the information in the Official Statement under the caption “LITIGATION — The Authority,” is true and accurate to the best of our knowledge at and as of the date of the Official Statement and at and as of the date hereof.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Authority Documents and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

By delivering this letter, we are not expressing any opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the Purchase Contract, Indenture, the Installment Purchase Agreement, the Bonds or any document referenced in the Official Statement, nor are we expressing any opinion with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Purchase Contract, Indenture, the Installment Purchase Agreement or the Bonds or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets under the Purchase Contract, the Indenture, the Installment Purchase Agreement or the Bonds. Our services as general counsel to the Authority did not involve the rendering of financial or other non-legal advice to you, the City, the Authority or any other party to the transaction.

This opinion is furnished by us to you solely for your benefit and we are not assuming any professional responsibility to any other person whomsoever. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

EXHIBIT F

## [FORM OF ISSUE PRICE CERTIFICATE]

\$ \_\_\_\_\_  
**Ukiah Public Financing Authority**  
**Electric Revenue Bonds,**  
**Series 2022**

The undersigned, on behalf of RBC Capital Markets, LLC (the “Underwriter”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Series 2022 Bonds”).

The Underwriter, the Ukiah Public Financing Authority (the “Issuer”), and the City of Ukiah, have executed a Purchase Contract (the “Purchase Contract”) in connection with the Series 2022 Bonds on \_\_\_\_\_, 2022 (the “Sale Date”). The Underwriter has not modified the Purchase Contract since its execution on the Sale Date.

1. ***Sale of the Series 2022 Bonds.*** As of the date of this certificate, for each Maturity of the [Bonds][General Rule Maturities], the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Exhibit A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

[The Underwriter offered the Hold-the-Offering Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “*Initial Offering Prices*”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.]

As set forth in the Bond Purchase Agreement, the Underwriting Group has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”) nor would they permit a related party to do so, and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreements, no Underwriter has offered or sold any unsold Bonds of any Maturity of the Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

***Defined Terms.***

*General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

*Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

*Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriters have sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold the Offering Price Maturity.

*Issuer* means Ukiah Public Financing Authority.

*Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

*Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is \_\_\_\_\_ [ ], 2022.

*Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

***Other Certifications.***

(d) The aggregate of the Initial Offering Prices of the Bonds is \$\_\_\_\_\_.

(e) We have provided the attached schedules, at the direction of Bond Counsel, relating to the calculation of the arbitrage yield with respect to the Bonds.

(f) We have provided the attached schedules, at the direction of Bond Counsel, relating to the calculation of the weighted average maturity of the Bonds. We have performed this calculation using the following formula: we calculated the total number of bond years and divided that number into the total initial offering price of the bonds of the offering. For purposes of calculating the total bond years, we calculated the sum of the products of each respective maturity’s initial offering price and the number of years from the dated date to each respective maturity, doing so on a 12-month, 360-day year basis.

We express no view regarding the legal sufficiency of the above computations or the correctness of any legal interpretation made by Bond Counsel. Further, notwithstanding the Underwriter having performed the calculations as set forth in the Statistics using the DBC Software, we remind you that we are not accountants or actuaries, nor are we engaged in the practice of law.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Jones Hall in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds

RBC CAPITAL MARKETS, LLC as Underwriter

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_, 2022.

*To Be Attached:*

EXHIBIT A — Sale Prices [*same as Exhibit A in purchase contract*]

SCHEDULE B — Final Pricing Wire