



City of Woodland

REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: September 1, 2009

SUBJECT: Non-Taxable Tax & Revenue Anticipation Notes for 2009 – 2010

Report in Brief

The City normally participates in the statewide financing program sponsored by the California State Association of Counties and the League of California Cities with the notes issued through the California Statewide Communities Development Authority (CSCDA). This year, because of the general economic recession, the state of the housing market in California, the sharp decline in local government revenues and concerns regarding the State budget, the CSCDA pool issue was unsuccessful in the sale of their notes. Several of the participating issuers in the pool have decided to move forward on a stand-alone basis.

Staff has taken a look at the various pooled cash outlays from over the remainder of this fiscal year and determined that it would be prudent to have additional cash resources available. The funds used for this annual issuance will provide the City operating cash flow, if needed, in order to implement several large capital projects which are funded with reimbursable State and Federal grants. The proceeds will be invested in a Guaranteed Investment Contract (GIC) or in the Local Agency Investment Fund (LAIF) per the normal City investment policies in order to earn interest until the resources are needed.

Staff recommends that City Council authorize the issuance of not-to-exceed \$10,000,000 2009-2010 Tax and Revenue Anticipation Notes by the City of Woodland. The approved resolution will authorize the City Clerk, the Finance Officer and the Senior Accountant to sign financing documentation in connection with the issuance of the TRAN. The resolution also appoints the underwriting firm of Southwest Securities to market the notes, the law firm of Kronick, Moskovitz Tiedemann & Girard as Bond Counsel, the law firm of Lofton & Jennings as Disclosure Counsel and Del Rio Advisors, LLC as Financial Advisor.

Background

For the last four years the City of Woodland has participated in the Tax and Revenue Anticipation Notes "TRANS" issuance sponsored by the California State Association of Counties and the League of California Cities with the notes issued through the California Statewide Communities Development Authority "CSCDA". This year, because of the general economic recession, the state

of the housing market in California, the sharp decline in local government revenues and concerns regarding the State budget, the CSCDA pool issue was unsuccessful in the sale of their notes in late June. Despite this setback, staff authorized prepayment of the City's \$3.7 million CalPERS obligation in order to realize the savings associated with the 3.66% prepayment discount if paid on or before July 1, 2009. The net projected savings from prefunding is expected to be over \$123,000. Without the CSCDA option available, staff worked with the City's financial advisors to review private market short term borrowing alternatives. The cost associated with the short term borrowing would be funded by the CalPERS prepayment savings and interest earnings when the balance of the proceeds (after the CalPERS prepayment) were placed in a GIC or in LAIF earning a higher rate of return than the interest rate on the notes including the costs of issuing the notes.

Discussion

The many advantages of participating in a statewide TRAN included lower issuance costs which were shared by the other participating governmental agencies, standardized documentation and a streamlined issuance process. However, because CSCDA was unsuccessful in issuing their notes, the City was not able to utilize the statewide TRAN.

Due to several large capital projects that will require cash outlays during the fiscal year subject to reimbursement either from State or Federal sources, it was determined that a TRAN would be necessary to maintain sufficient cash reserves. In addition, the State's borrowing of 8% of the City's property tax will put additional pressure on the City's cash flow during the course of the fiscal year.

The interest expense from the Tax-Exempt TRAN is estimated to be 2.879% including the costs of issuing the notes. For comparison purposes, the interest earned at the Local Agency Investment Fund (LAIF) is currently estimated at 1.00%. The need for the pooled cash resources during the fiscal year, although at a higher rate than the corresponding investment rate, outweighs the cost of carrying the notes. In order to mitigate this cost the City has downsized the note issuance from the expected \$24,000,000 (Similar to 2008/2009 issuance) to a more reasonable amount currently estimated at \$6,105,000. The not-to-exceed amount of \$10,000,000 is set to cover any additional short term cash flow contingencies that may occur in association with the large grant funded capital projects.

The attached resolution authorizes the issuance by the City of Woodland of a not-to-exceed \$10,000,000 TRANs with an interest rate not-to-exceed 5.00%. The current estimated amount of issuance is \$6,105,000 with a 3.00% interest rate and a yield to the City of 2.879%. The TRANs will be dated the date of closing currently scheduled for September 24, 2009 and will be due on June 30, 2010.

In addition, the resolution authorizes various financing documentation, including a purchase agreement, a continuing disclosure certificate, a preliminary official statement and a final official statement, each of which is on file in the Finance Department. Certain information in the preliminary official statement, consisting of City estimated financial information for fiscal year 2008-09 and budget information for fiscal year 2009-10, has been presented to the City Council previously and will be completed prior to the distribution of the Preliminary Official Statement. The

resolution authorizes the City Clerk, the Finance Officer and the Senior Accountant to make changes to the Preliminary official statement as deemed advisable and necessary in connection with the issuance of the TRAN. The resolution also appoints the underwriting firm of Southwest Securities to market the notes, the law firm of Kronick, Moskovitz Tiedemann & Girard as Bond Counsel, the law firm of Lofton & Jennings as Disclosure Counsel and Del Rio Advisors, LLC as Financial Advisor.

The impact of the State budget, including the borrowing of 8% of the City's FY 2008-09 property tax, may require further consideration of short-term borrowing based on the State's constitutional requirement to repay local governments within three years. Should staff conclude that such action is necessary, information and justification will be presented to the City Council for consideration at a future meeting.

Fiscal Impact

If approved, use of the TRANs is projected to result in an estimated net benefit of approximately \$10,000 which takes into account the savings from the CalPERS prepayment (\$123,000) and the reinvestment interest on the TRANs proceeds which is offset by the interest and cost of issuance expenditures.

Recommendation for Action

Staff recommends that the City Council authorize the issuance by the City of Woodland of a not-to-exceed \$10,000,000 2009-2010 Tax and Revenue Anticipation Notes. The approved resolution will authorize the City Clerk, the Finance Officer and the Senior Accountant to make revisions to and sign financing documentation in connection with the issuance of the TRAN. The resolution also appoints the underwriting firm of Southwest Securities to market the notes, the law firm of Kronick, Moskovitz Tiedemann & Girard as Bond Counsel, the law firm of Lofton & Jennings as Disclosure Counsel and Del Rio Advisors, LLC as Financial Advisor.

Prepared by: Rex Greenbaum
Senior Accountant

Reviewed by: Amber D'Amato
Finance Officer

Mark G. Deven
City Manager

Attachments

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF WOODLAND AUTHORIZING THE ISSUANCE
OF 2009-2010 TAX AND REVENUE ANTICIPATION NOTES**

WHEREAS, pursuant to Sections 53850 *et seq.* of the Government Code of the State of California (the “Act”), contained in Article 7.6 thereof and entitled “Temporary Borrowing,” on or after the first day of any fiscal year (being July 1), the City of Woodland (the “City”) may borrow money by issuing tax and revenue anticipation notes for any purpose for which the City is authorized to expend moneys, including, but not limited to, current expenses, capital expenditures, and the discharge of any obligation or indebtedness of the City; and

WHEREAS, the City Council of the City of Woodland (the “City Council”) deems it necessary and desirable and in the best interest of the City to issue the tax and revenue anticipation notes in an amount not to exceed TEN MILLION DOLLARS (\$10,000,000), at an interest rate not to exceed five percent (5%) (the “Notes”); and

WHEREAS, the \$10,000,000 maximum principal amount of Notes to be issued by the City Council in fiscal year 2009-2010, when added to the interest payable thereon, does not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, revenue (including, but not limited to, revenue from state and federal governments), cash receipts and other moneys of the City that will be available for the payment of the Notes and interest thereon, as required by Section 53858 of the Act; and

WHEREAS, the Notes will not be issued in an amount greater than the maximum anticipated cumulative cash flow deficit to be financed by the anticipated tax or other revenue sources for the period for which such taxes or other revenues are anticipated and during which such notes are outstanding, all as provided in the Income Tax Regulations of the United States Treasury.

NOW, THEREFORE, it is hereby RESOLVED, ORDERED AND FOUND by the City Council of the City of Woodland, as follows:

Section 1. Findings. All of the above recitals are true and correct and the City Council hereby so finds and determines.

Section 2. Authorization of Issuance of the Notes; Terms Thereof. The City Council hereby determines to issue the Notes in a principal amount not to exceed \$10,000,000 under Section 53850 *et seq.* of the Act, designated the “City of Woodland, State of California, 2009-2010 Tax and Revenue Anticipation Notes” (the “Notes”). The Notes shall be dated the date of delivery thereof; shall mature (without option of prior redemption) on such date as shall be specified in the Note Purchase Agreement (the “Purchase Agreement”) for the Notes; and shall bear interest, payable at maturity (if the maturity of the Notes is determined to be one year or earlier from the date of issuance) or payable one year from the date of issuance and at maturity (if the maturity of the Notes is determined to be more than one year from the date of issuance)

and computed on a 30-day month/360-day year basis, at the rate or rates determined at the time of sale thereof, but not in excess of five percent (5%) per annum, and shall have a term not to exceed thirteen months from the date of delivery. Subject to Section 7 (Registration, Transfer and Exchange of Notes) hereof, both the principal of and interest on the Notes shall be payable, only upon surrender thereof, in lawful money of the United States of America at the principal office of the Paying Agent (as defined below) appointed hereunder.

Section 3. Paying Agent. U.S. Bank National Association is hereby appointed to act as the paying agent (the “Paying Agent”) of the City for the purpose of receiving the payments of principal and interest made by the City on the Notes, to hold, allocate, use, and apply said payments and to perform such other duties and powers of the Paying Agent as are prescribed in this Resolution and/or any paying agent agreement entered into by the City and the Paying Agent. The City may remove the Paying Agent at any time by giving written notice of such removal to the Paying Agent. If the Paying Agent is removed, or a vacancy shall occur in the office of Paying Agent for any cause, the City shall promptly appoint a successor Paying Agent by a written instrument. The predecessor Paying Agent shall, upon payment of its charges, execute and deliver an instrument conveying and transferring to the successor Paying Agent all the rights, title, and interest of such predecessor Paying Agent, and shall duly assign, transfer and deliver to the successor Paying Agent all property and money held by the predecessor Paying Agent hereunder. The City hereby approves the payment of the reasonable fees and expenses of the Paying Agent as they shall become due and payable.

Section 4. Amount of Borrowing. The aggregate principal amount of the Notes shall be no greater than the amount recited in Section 2 (Authorization of Issuance of the Notes; Terms Thereof) hereof, or such lesser amount as to which Kronick, Moskovitz, Tiedemann & Girard, bond counsel to the City with respect to the Notes (“Bond Counsel”), will deliver an approving opinion regarding the excludability from gross income for federal tax purposes of interest thereof. The aggregate principal amount of the Notes so determined upon the sale of the Notes shall be specified in the Purchase Agreement described in Section 12 (Sale of the Notes) hereof.

Section 5. Form of the Notes. The Notes shall be issued in fully registered form, without coupons, in denominations of \$5,000, or integral multiples thereof, and shall be substantially in the form and substance set forth in Exhibit A attached hereto and by reference incorporated herein, the blanks in said form to be filled in with appropriate words and figures.

Section 6. Execution of the Notes. The City Council hereby authorizes and directs the City Manager or the Finance Officer of the City of Woodland (the “Finance Officer”), or his or her designee, to cause the blank spaces of the Notes to be filled in accordance with the terms of the Notes specified in the Purchase Agreement and as the City Manager or the Finance Officer, or his or her designee, may otherwise deem to be appropriate. The City Council further authorizes and directs the Mayor to execute the Notes and the City Clerk or one of her deputies to countersign the Notes and affix the seal of the City to the Notes by manual impression thereof, or by printing a facsimile thereof. Either of these signatures may be made by facsimile, provided that at least one such signature shall be manual.

Section 7. Registration, Transfer and Exchange of Notes.

(A) The Notes shall be initially issued and registered in the name of “Cede & Co.,” as nominee of The Depository Trust Company, New York, New York (hereinafter, Cede & Co. and The Depository Trust Company are referred to collectively as “The Depository Trust Company”) and shall be evidenced by a single Note. Registered ownership of the Notes, or any portion thereof, may not thereafter be transferred except as set forth in Section 7(B).

(B) Registered ownership of the Notes, or any portions thereof, may not be transferred following issuance thereof except:

(1) To any successor of The Depository Trust Company, or its nominee, or of any substitute depository designated pursuant to clause (2) of this subsection (B) (a “Substitute Depository”); provided, that any successor of The Depository Trust Company or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(2) To any Substitute Depository not objected to by the Paying Agent, upon (i) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as depository, or (ii) a determination by the City or the Paying Agent to substitute another depository for The Depository Trust Company or its successor (or any Substitute Depository or its successor) because it is no longer able to carry out its functions as depository; provided, that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(3) To any person as provided below, upon (i) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as depository, or (ii) a determination by the City or the Paying Agent to discontinue using a depository.

(C) In the case of any transfer pursuant to clause (1) or clause (2) of subsection (B) of this Section, upon receipt of all outstanding Notes by the Paying Agent a single new Note, which the City shall prepare or cause to be prepared, shall be executed and delivered and registered in the name of such successor or such Substitute Depository, or its nominee, as the case may be. In the case of any transfer pursuant to clause (3) of subsection (B) of this Section, upon receipt of all outstanding Notes by the Paying Agent, new Notes, which the City shall prepare or cause to be prepared, shall be executed and delivered in such denominations and registered in the names of such persons as are determined by the Paying Agent pursuant to a written request of the City.

(D) The City and the Paying Agent shall be entitled to treat the person in whose name any Note is registered as the owner thereof for all purposes of this Resolution and for purposes of payment of interest on and principal of such Note, notwithstanding any notice to the contrary received by the City or the Paying Agent; and the City and the Paying Agent shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Notes; and neither the City nor the Paying Agent shall have

any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including The Depository Trust Company or its successors (or any Substitute Depository or its successor), except to the registered owner of any Notes, and the Paying Agent may rely conclusively on its records as to the identity of the registered owners of the Notes.

(E) Notwithstanding any other provisions of this Resolution and so long as all outstanding Notes are registered in the name of The Depository Trust Company or its registered assigns, the City and the Paying Agent shall cooperate with The Depository Trust Company, as sole registered owner, and its registered assigns in effecting payment of the interest on and principal of the Notes by arranging for payment in such manner that funds for such payments are properly identified and are made available on the date they are due; all in accordance with the Blanket Letter of Representations to The Depository Trust Company, the provisions of which the Paying Agent may rely upon to implement the foregoing procedures notwithstanding any inconsistent provisions herein.

(F) In the case of any transfer pursuant to clause (3) of subsection (B) of this Section, any Note may, in accordance with its terms, be transferred or exchanged for a like aggregate principal amount of Notes in authorized denominations, upon the books required to be kept by the Paying Agent pursuant to the provisions hereof, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Note for cancellation, and, in the case of a transfer, accompanied by delivery of a written instrument of transfer, duly executed in form approved by the Paying Agent.

Whenever any Note shall be surrendered for transfer or exchange, the City shall execute and the Paying Agent shall deliver a new Note or Notes of authorized denominations for a like aggregate principal amount. The Paying Agent shall require the registered owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

(G) The Paying Agent will keep or cause to be kept, at the Paying Agent's office, sufficient books for the registration and transfer of the Notes, which shall at all times be open to inspection by the City. Upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as the Paying Agent may prescribe, register or transfer, or cause to be registered or transferred on such books, Notes as hereinbefore provided.

(H) If any Note shall become mutilated, the City, at the expense of the owner of such Note, shall execute, and the Paying Agent shall thereupon deliver a new Note of like tenor bearing a different number in exchange and substitution for the Note so mutilated, but only upon surrender to the Paying Agent of the Note so mutilated. If any Note shall be lost, destroyed or stolen, evidence of the ownership thereof, and of such loss, destruction or theft may be submitted to the City and the Paying Agent and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the City, at the expense of the owner, shall execute, and the Paying Agent shall thereupon deliver a new Note of like tenor and bearing a different number in lieu of and in substitution for the Note so lost, destroyed or stolen (or, if any such Note shall have matured, instead of issuing a substitute Note, the Paying Agent may pay the same without surrender thereof). The Paying Agent may require payment by the registered owner of a Note of

a sum not exceeding the actual cost of preparing each new Note issued pursuant to this paragraph and of the expenses that may be incurred by the City and the Paying Agent. Any Note issued under these provisions in lieu of any Note alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Note so alleged to be lost, destroyed or stolen shall be at any time enforceable by anyone, and shall be entitled to the benefits of this Resolution with all other Notes secured by this Resolution.

(I) All Notes surrendered for payment or registration of transfer, if surrendered to any person other than the Paying Agent, shall be delivered to the Paying Agent and shall be promptly cancelled. The City may at any time deliver to the Paying Agent for cancellation any Notes previously delivered hereunder that the City may have acquired in any manner whatsoever, and all Notes so delivered shall promptly be cancelled by the Paying Agent. No Note shall be delivered in lieu of or in exchange for any Notes cancelled as provided herein, except as expressly permitted hereunder. All cancelled Notes held by the Paying Agent shall be disposed of as directed by the City.

Section 8. Deposit of Note Proceeds. The proceeds from the sale of the Notes shall be deposited with the Finance Officer in a proceeds fund to be designated the “City of Woodland 2009-2010 Tax and Revenue Anticipation Notes Proceeds Fund” (the “Proceeds Fund”). The City shall withdraw, use or expend the amounts in the Proceeds Fund for any purpose for which it is authorized to invest or expend funds from the general fund of the City (including, but not limited to, current expenses, capital expenditures and the discharge of any obligation of indebtedness of the City), but only after exhausting funds (which are not restricted funds) otherwise available for such purposes and only to the extent that on any given day such other funds are not then available. For purposes of this Section, “funds otherwise available” excludes: (a) amounts that are held or set aside in a reasonable working capital reserve in the amount set forth in the tax certificate of the City with respect to the Notes (the “Tax Certificate”), which shall be no greater than 5% of the City’s working capital expenditures from its available funds in fiscal year 2008-2009, and (b) the “proceeds” of the Notes, which are equal to the initial offering price of the Notes to the public, as certified by the underwriter. The City shall promptly notify Bond Counsel if, on the date that is six months from the date of issuance of the Notes, all amounts of the Proceeds Fund (including investment earnings thereon) shall not have been so withdrawn and spent; and, to the extent of its power and authority, comply with the instructions from Bond Counsel as to the means of satisfying the rebate requirements of Section 148 of the Internal Revenue Code (the “Code”).

Section 9. Payment of Notes.

(A) **Source of Payment.** The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts, and other moneys that are received or accrued by the City during fiscal year 2009-2010 and that are available therefor. The Notes shall be a general obligation of the City and, to the extent the Notes are not paid from the Pledged Revenues defined below, the Notes shall be paid with interest thereon from any other moneys of the City lawfully available therefor, as provided herein and by law.

(B) **Pledged Revenues.** The Notes shall be secured by a pledge of and first lien and charge against the first unrestricted revenues to be received by the City in such months and in

such amounts as shall be determined by the City Manager or the Finance Officer, or his or her designee, prior to the date of sale of the Notes, sufficient to pay the principal of and interest on the Notes at maturity (such pledged amounts being hereinafter called the “Pledged Revenues”). The term “unrestricted revenues” shall mean taxes, income, revenue, cash receipts, and other moneys deposited in inactive or term deposits (but excepting certain moneys encumbered for a special purpose) of the City, as provided in Section 53856 of the Act, which are intended as receipts for the general fund of the City and which are generally available for the payment of current expenses and other obligations of the City.

(C) Deposit of Pledged Revenues in Repayment Fund. The Pledged Revenues shall be transferred to the Paying Agent and held by the Paying Agent in a special fund designated as the “City of Woodland 2009-2010 Tax and Revenue Anticipation Notes Repayment Fund” (herein called the “Repayment Fund”) and applied as directed in this Resolution. Any moneys placed in the Repayment Fund shall be for the benefit of the holders of the Notes and, until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Repayment Fund shall be applied only for the purposes for which the Repayment Fund is created.

(D) Disbursement of Moneys in Repayment Fund; Deficiencies. From the date this Resolution takes effect, all Pledged Revenues shall, when received, be deposited in the Repayment Fund to be held, invested and accounted for as provided herein. After such date as the amount of Pledged Revenues deposited in the Repayment Fund shall be sufficient to pay in full the principal of and interest on the Notes, when due, any moneys in excess of such amount remaining in or accruing to the Repayment Fund shall be transferred to the general fund of the City upon the request of the City. On the maturity date of the Notes, the moneys in the Repayment Fund shall be used, to the extent necessary, to pay the principal of and interest on the Notes. In accordance with Government Code Section 53857, the City shall make up any deficiency in the Repayment Fund from any other money of the City lawfully available for the payment of the Notes and the interest thereon.

Section 10. Investment of Funds. Subject to any additional restrictions imposed by the investment policy of the City, moneys held by the Finance Officer in the Proceeds Fund and by the Paying Agent in the Repayment Fund may be invested (i) in any investments permitted by the Government Code, notwithstanding any limitations contained therein as to the maximum proportion of such funds that may be invested in any particular investment and meeting Standard & Poor’s criteria for investments, or any equivalent criteria of any rating agency then rating the Notes; (ii) in investment agreements, including guaranteed investment contracts, whose issuer or guarantor of issue is rated AAA by Standard & Poor’s, or an equivalent rating of any rating agency then rating the Notes; and (iii) in the Local Agency Investment Fund within the treasury of the State of California. The proceeds of such investments shall be retained in each such respective fund, provided that no moneys in the Repayment Fund shall be invested for a term that exceeds the term of the Notes and that sufficient money shall be invested to mature no later than the date on which any payment of interest or principal is due, to provide for such payment.

Section 11. Tax Covenants.

(A) No Arbitrage. The City hereby covenants that it will make no use of the proceeds of the Notes that would cause the Notes to be “arbitrage bonds” under Section 148 of the Code; and, to that end, so long as any of the Notes are outstanding, the City and all of its officers having custody or control of such proceeds shall comply with all requirements of: (a) said Code section, including restrictions on the use and investment of proceeds of the Notes and the rebate of a portion of investment earnings on certain amounts, including proceeds of the Notes, if required, to the Federal government, and (b) the Income Tax Regulations of the United States Treasury promulgated thereunder or any predecessor provisions, to the extent that such regulations are, at the time, applicable and in effect so that the Notes will not be “arbitrage bonds.” By the date that is seven months after the date of issuance of the Notes (the “Issue Date”), the City shall determine whether all of the proceeds of the Notes (including investment earnings thereon) were, within six months of the Issue Date, allocated to expenditures relating to the governmental purpose of the issue so that the Notes qualify for an exemption from the rebate requirements of Section 148 of the Code. If, on the date that is six months from the Issue Date, all such amounts have not been so allocated to expenditures, the City will promptly notify Bond Counsel and, to the extent of its power and authority, comply with the instructions from the Bond Counsel as to the means of satisfying the rebate requirements of Section 148 of the Code.

Without limiting the foregoing, the City hereby covenants that it will comply with the requirements of the Tax Certificate to be entered into by the City as of the date of issuance of the Notes. The provisions of this Section shall survive payment in full or defeasance of the Notes.

(B) Rebate Calculation and Payment. The City covenants that, in the event it is or becomes subject to the rebate requirements of Section 148 of the Code, it shall (i) make all calculations in a reasonable and prudent fashion relating to any rebate of excess investment earnings on the proceeds of the Notes due to the United States Treasury; (ii) cause the Finance Officer to segregate and set aside from lawfully available sources the amount such calculations indicate may be required to be paid to the United States Treasury; and (iii) otherwise at all times do and perform all acts and things necessary and within its power and authority, including complying with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and complying with the instructions of Bond Counsel, to ensure that interest paid on the Notes shall, for the purposes of federal income taxes, be excludable from the gross income of the recipients thereof and exempt from such taxation. If such calculation is required, the City will immediately cause to be set aside, from revenues received by the Finance Officer during or allocable to the 2009-2010 Fiscal Year or, to the extent not available from such revenues, from any other monies lawfully available, the amount of such rebate in a separate fund that the City hereby agrees to cause to be established and maintained by the Finance Officer, and designated as the “City of Woodland 2009-2010 Tax and Revenue Anticipation Note Rebate Fund.”

(C) Remedies Limited to Note Owners. Notwithstanding any other provision of this Resolution to the contrary, no one other than the owners or former owners of the Notes shall be entitled to exercise any right or remedy under this Resolution on the basis of the City’s failure to observe, or refusal to comply with, the covenants in this Section.

(D) Reliance on Opinion of Bond Counsel. Notwithstanding any provision of this Section, if the City shall obtain an opinion of Bond Counsel that any specified action required under this Section is no longer required or that some further or different action is required to maintain the excludability from gross income for federal income tax purposes of interest on the Notes, the City may conclusively rely on such opinion in complying with the requirements of this Section, and the covenants hereunder shall be deemed to be modified to that extent.

Section 12. Sale of the Notes. The Notes will be sold through a negotiated sale to an underwriter or underwriters selected conducted by the City's financial advisor (the "Financial Advisor") pursuant to a Note Purchase Agreement upon terms and conditions as are acceptable to the City and consistent herewith. The City Manager or the Finance Officer, or his or her designee, is hereby authorized to determine the term of the Notes up to a term of thirteen (13) months. The City Manager or the Finance Officer, or their respective designee, are hereby authorized to prepare a Note Purchase Agreement consistent with this Resolution. The City Manager or the Finance Officer, or his or her designee, is authorized to negotiate the sale of no more than \$10,000,000 of Notes at an interest rate of not more than five percent (5%), and for a term not longer than thirteen months.

Section 13. Authorization of Official Statement; Continuing Disclosure Certificate; Report to CDIAC.

(A) Preliminary Official Statement and Official Statement. The Official Statement relating to the Notes in preliminary form (the "Preliminary Official Statement") is hereby approved. The City Manager or the Finance Officer, or his or her designee, is hereby authorized and requested to execute and deliver the Preliminary Official Statement in substantially the form presented to the City, with such changes and additions thereto as he or she deemed advisable. The City Council authorizes the distribution by the City's Financial Advisor of the Preliminary Official Statement and the Official Statement (in substantially the form of the Preliminary Official Statement) to prospective purchasers of the Notes, and authorizes the City Manager or the Finance Officer, or his or her designee, to deem "final" pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") the Official Statement prior to distribution by the City's Financial Advisor. The execution of the Official Statement shall be conclusive evidence of the approval of the Official Statement by the City.

The City Manager or the Finance Officer, or his or her designee, is separately authorized and directed to execute a statement that the facts contained in the Official Statement, and any supplement or amendment thereto, (which shall be deemed an original part thereof for purposes of such statement) were, at the time of the sale of the Notes, true and correct in all material respects and that the Official Statement did not on the date of the sale of the Notes, and does not as of the date of the delivery of the Notes, contain any untrue statement of a material fact with respect to the City, or omit to state material facts with respect to the City required to be stated or necessary to make any statement made therein not misleading in light of the circumstances under which it was made. The City Manager or the Finance Officer, or his or her designee, shall take such further action prior to the signing of the Official Statement as is deemed necessary or appropriate to verify the accuracy thereof.

(B) Continuing Disclosure. The City Manager or the Finance Officer, or his or her designee, is hereby authorized to execute, as necessary, a Continuing Disclosure Certificate as may be required pursuant to subsection 15c2-12(b)(5)(i)(C) of the Rule.

(C) Report to California Debt and Investment Advisory Commission. The City Manager or the Finance Officer, or his or her designee, is hereby authorized and directed to cause reports of the proposed sale and final sale of the Notes to be filed in a timely manner with the California Debt and Investment Advisory Commission pursuant to California Government Code Section 8855(g).

Section 14. Delivery of Notes. The proper officers of the City shall cause the Notes to be delivered to the purchasers thereof when the Paying Agent has received confirmation of receipt of the proceeds.

Section 15. Further Actions Authorized. All actions heretofore taken by the officers and agents of the City or this City Council with respect to the issuance and sale of the Notes are hereby approved, confirmed, and ratified, and the employees and officers of the City, including the Mayor, the City Clerk, the City Manager, the Finance Officer, and the designees of any of them, are further authorized and directed to make, execute and deliver to the purchaser or purchasers of the Notes (a) a certificate in the form customarily required by purchasers of bonds of public agencies generally, certifying to the genuineness and the execution of the Notes; and (b) a receipt in similar form evidencing the payment of the purchase price of the Notes which receipt shall be conclusive evidence that said purchase price of the Notes has been paid and has been received on behalf of the City. Based on the representations and covenants of the City, and subject to the provisions of this Resolution, any purchaser or subsequent taker or holder of the Notes is hereby authorized to rely upon and shall be justified in relying upon any such certificate or receipt with respect to the Notes. Such officers and any other officers of the City are hereby authorized and directed for and in the name and on behalf of the City to do any and all things and take any and all actions related to the execution and delivery of any and all other documents that they, or any of them, may deem necessary or advisable in order to consummate the sale and delivery of the Notes, including signature certificates, no-litigation certificates, certificates regarding continuing disclosure, and other certificates proposed to be distributed in connection with the sale of the Notes.

Section 16. Further Assurances. The City, and its appropriate officials, have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, to carry out the provisions of this Resolution and the Notes.

Section 17. Identification of Professionals Involved. With respect to the issuance and sale of the Notes, Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, is hereby appointed bond counsel to the City; Lofton & Jennings is hereby appointed disclosure counsel to the City; Del Rio Advisors, LLC is hereby appointed financial advisor to the City; and Southwest Securities Inc. is hereby appointed to act as underwriter to the City. The City Manager and Finance Officer are each hereby authorized and directed to execute and deliver an agreement for services with each of the aforementioned firms and/or corporations.

Section 18. Designation as Qualified Tax-Exempt Obligations. The City Council hereby finds that the Notes will not be private activity bonds as defined in Section 141 of the Internal Revenue Code of 1986, as amended, and the City Council reasonably anticipates that the City and all subordinate entities and all entities that issue obligations on its behalf will not issue more than \$30 million of tax-exempt obligations (excluding private activity bonds) during the current calendar year. The City hereby designates the Notes as qualified tax-exempt obligations within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

Section 19. Effective Date. This Resolution shall take effect from and after its adoption.

Passed and adopted by the City Council of the City of Woodland, State of California, this 1st day of September 2009, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Marlin H. Davies, Mayor

[SEAL]

ATTEST:

By: _____
Sue Vannucci, City Clerk

EXHIBIT A
SPECIMEN NOTE

CITY OF WOODLAND
STATE OF CALIFORNIA

2009-2010 TAX AND REVENUE ANTICIPATION NOTE

INTEREST RATE:	MATURITY DATE:	ISSUE DATE:	CUSIP:
__%	June 30, 2010	_____, 2009	979568 ____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: _____ DOLLARS

The CITY OF WOODLAND, State of California (the "City"), acknowledges itself indebted, and promises to pay, to the Registered Owner stated above, or registered assigns (the "Owner"), on the Maturity Date stated above, the Principal Sum stated above, in lawful money of the United States of America, and to pay interest thereon from the Issue Date stated above in like lawful money at the rate per annum stated above on the Maturity Date stated above, calculated on the basis of 360-day year comprising twelve 30-day months.

The Principal Sum and interest thereon is payable to the Owner upon presentation hereof at the principal office of the Finance Officer, City of Woodland, California (the "Paying Agent").

It is hereby certified, recited and declared that this Note is one of an authorized issue of notes in the aggregate principal amount of _____ Dollars (\$_____), all of like tenor, issued pursuant to the provisions of a resolution of the City Council (the "City Council") of the City duly passed and adopted on September 1, 2009 (the "Resolution"), and pursuant to Article 7.6 (commencing with section 53850) of Chapter 4, Part 1, Division 2, Title 5, of the California Government Code, and that all conditions, things and acts required to exist, happen and be performed precedent to and in the issuance of this Note exist, have happened and have been performed in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the City, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

The principal amount of the Notes, together with the interest thereon, shall be payable only from taxes, income, revenue, cash receipts, and other moneys that are received or accrued by the City during Fiscal Year 2009-2010, and that are available for the payment of current expenses and other obligations of the City (the "Unrestricted Revenues"). As security for the payment of the principal of and interest on the Notes, the City has pledged an amount equal to fifty percent (50%) of the principal amount of the Notes from Unrestricted Revenues received by the City in the month ending February 2010, and an amount equal to fifty percent (50%) of the principal amount of the Notes, plus an amount sufficient to pay interest on the Notes, from Unrestricted Revenues received by the City in the month ending June 2010 (such pledged amounts being hereinafter called the "Pledged Revenues"). The principal of the Notes and the interest thereon shall constitute a first lien and charge against and shall be payable from the first money received by the City from such Pledged Revenues, and to the extent not so paid shall be paid from any other moneys of the City lawfully available therefor.

The Notes are issuable as fully registered notes, without coupons, in denominations of \$5,000 each or any integral multiple thereof. Subject to the limitations and conditions as provided in the Resolution, Notes may be exchanged for a like aggregate principal amount of Notes of other authorized denominations and of the same maturity.

The Notes are not subject to redemption prior to maturity.

This Note is transferable by the Owner hereof, but only under the circumstances, in the manner, and subject to the limitations provided in the Resolution. Upon registration of such transfer a new Note or Notes, of authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange for this Note.

The City and the Paying Agent may treat the Owner hereof as the absolute owner hereof for all purposes and neither the City nor the Paying Agent shall be affected by any notice to the contrary.

Unless this Note is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any Note 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.

IN WITNESS WHEREOF, the City Council of the City of Woodland has caused this Note to be issued in the name of the City and to be executed by the Finance Officer of the City and countersigned by the City Clerk, all as of the Issue Date stated above.

CITY OF WOODLAND, CALIFORNIA

By: _____
Marlin H. Davies, Mayor

[SEAL]

Countersigned:

Sue Vannucci, City Clerk

FORM OF ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within registered Note and hereby irrevocably constitute(s) and appoints _____ attorney, to transfer the same on the Note register of the Paying Agent with full power of substitution in the premises.

Dated:_____

Signature:

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

Signature Guaranteed:

Note: Signature(s) must be guaranteed by a qualified guarantor.

FORM OF BOND COUNSEL OPINION

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD
A Professional Corporation
400 Capitol Mall, 27th floor
Sacramento, CA 95814-4417

Woodland City Council
City Hall
300 First Street,
Woodland, California 95695

Re: *City of Woodland*
State of California
2009-2010 Tax and Revenue Anticipation Notes

Members of the City Council:

We have acted as bond counsel to the City of Woodland (the "City") in connection with the issuance of \$_____ principal amount of the City of Woodland, State of California, California, 2009-2010 Tax and Revenue Anticipation Notes, dated _____, 2009 (the "Notes"), pursuant to Article 7.6 (commencing with Section 53850), Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, and pursuant to the provisions of Resolution No. _____ adopted by the City Council of the City of Woodland on September 1, 2009 (the "Resolution"). In such capacity, we

have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied upon the representations of the City Council contained in the Resolution, the representations of the City officials, and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The City is duly created and validly existing as a municipal corporation and general law city organized and existing under the laws of the State of California with the power to issue the Notes on its behalf, and the power to perform its obligations under the Resolution.

2. The Resolution has been duly adopted by the City, and it creates a valid first lien on the funds pledged under the Resolution for the security of the Notes.

3. The Notes have been duly authorized, executed and delivered by the City Council and are valid and binding general obligations of the City enforceable in accordance with their terms.

4. Interest on the Notes is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; nor is such interest taken into account in determining adjusted earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

5. Interest on the Notes is exempt from State of California personal income taxes.

The rights of the holders of the Notes and the enforceability of the Notes, and the Resolution 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.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or other offering material relating to the Notes. Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth herein.

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.

Very truly yours,

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD,
a Professional Corporation

LEGAL OPINION

I HEREBY CERTIFY that the foregoing is a true and correct copy of the legal opinion upon the Notes therein described that was manually signed by Kronick, Moskovitz, Tiedemann & Girard, and was dated as of the date of delivery of and payment for said Notes.

Sue Vannucci, City Clerk, City of Woodland

\$ _____
**CITY OF WOODLAND
STATE OF CALIFORNIA
2009-2010 TAX AND REVENUE ANTICIPATION NOTES**

NOTE PURCHASE AGREEMENT

_____, 2009

Woodland City Council
City Hall
300 First Street
Woodland, CA 95698

Ladies and Gentlemen:

Southwest Securities, Inc. (the “Underwriter”) offers to enter into this agreement with the City of Woodland, California (the “City”) which, upon your acceptance hereof, will be binding upon the City and the Underwriter. This offer is made subject to the acceptance of this Note Purchase Agreement by the City and written delivery of such acceptance to the Underwriter at or prior to 11:59 p.m., Pacific Time, on the day prior to the day of Closing, as hereinafter defined.

1. Purchase and Sale of the Notes. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the City for reoffering to the public, and the City hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of \$_____ aggregate principal amount of the City’s 2009-2010 Tax and Revenue Anticipation Notes (the “Notes”) issued in the name of the City.

The Notes shall be dated the date of delivery thereof, which date is anticipated to be _____, 2009, shall bear interest at a rate of ____ percent (____.000%) per annum, and shall mature on _____, 2010. The purchase price to be paid by the Underwriter for the Notes shall equal the par amount of the Notes (\$_____), plus an original issue premium on the Notes (\$_____), less the underwriter’s discount (\$_____), making the aggregate purchase price for the Notes \$_____.

2. The Notes. The Notes shall be described in, and shall be issued and secured pursuant to the provisions of Resolution No. _____ of the City adopted on September 1, 2009 (the “Resolution”), and Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the “Act”).

3. Security for the Notes. The principal amount of the Notes, together with the interest thereon, shall be payable only from taxes, income, revenue, cash receipts, and other moneys that are received or accrued by the City during Fiscal Year 2009-2010, and that are available for the payment of current expenses and other obligations of the City (the “Unrestricted

Revenues”). As security for the payment of the principal of and interest on the Notes, the City has pledged (a) an amount equal to fifty percent (50%) of the principal amount of the Notes from the Unrestricted Revenues received by the City in the month ending February 2010, and (b) an amount equal to fifty percent (50%) of the principal amount of the Notes, plus an amount sufficient to pay interest on the Notes, from Unrestricted Revenues received by the City in the month ending June 2010 (such pledged amounts being hereinafter called the “Pledged Revenues”). The principal of the Notes and the interest thereon shall constitute a first lien and charge against and shall be payable from the first money received by the City from such Pledged Revenues, and to the extent not so paid, shall be paid from any other moneys of the City lawfully available therefor.

4. Use of Documents. The City hereby approves and authorizes the Underwriter to use, in connection with the offer and sale of the Notes, this Note Purchase Agreement, the Continuing Disclosure Certificate, and an Official Statement, in a form to be jointly approved by the City and the Underwriter (which, together with all appendices thereto and with such changes therein and supplements thereto consented to by the Underwriter, is herein called the “Official Statement”), the Resolution and all information contained herein and therein and all of the documents, certificates or statements furnished by the City to the Underwriter in connection with the transaction contemplated by this Note Purchase Agreement.

5. Public Offering of the Notes. The Underwriter agrees to make a bona fide public offering of all the Notes at the initial public offering price or yield to be set forth on the cover page of the Official Statement. A certificate is being delivered by the Underwriter in connection with the issuance of the Notes (and as a condition of closing) wherein the Underwriter states and certifies to the City that the initial reoffering price of the Notes to the general public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), at which price at least ten percent (10%) of the Notes were sold (or were reasonably expected to be sold), is as set forth on the cover page of the Official Statement. Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering price or yield as it deems necessary in connection with the marketing of the Notes.

6. Delivery of Official Statement. Prior to the closing, the City shall deliver to the Underwriter such reasonable number of the Official Statement (as supplemented and amended from time to time) as the Underwriter shall reasonably request as necessary to comply with Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “Rule”) and with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board. The City agrees to deliver such Official Statement within seven (7) business days after the execution hereof. The Underwriter will not confirm the sale of any Notes unless the confirmation of sale is accompanied or preceded by the delivery of a copy of the Official Statement.

7. **Closing.** At 9:00 a.m., Pacific Time, on _____, 2009, or such other time or such other date as shall have been mutually agreed upon by the City and the Underwriter (the “Closing”), the City will deliver to the Underwriter, through the facilities of The Depository Trust Company in New York, New York, or at such other place as the City and the Underwriter may mutually agree upon, the Notes in definitive form, duly executed, together with other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the purchase price thereof, as set forth in Section 1 (Purchase and Sale of the Notes) in immediately available funds to the order of the City. The Notes will be initially issued in the form of a separate single fully registered note. Upon initial issuance, the ownership of such Notes shall be registered in the registration books kept at the City in the name of Cede & Co., as the nominee of The Depository Trust Company. Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Notes shall not have been delivered by the City to the Underwriter prior to the close of business, Pacific Time, on _____, 2009, then the obligation to purchase Notes hereunder shall terminate and be of no further force or effect. The obligations of the City and the Underwriter under Section 13 (Expenses) shall continue in full force and effect.

8. **Representations, Warranties and Agreements of the City.** The City hereby represents, warrants and agrees with the Underwriter that:

(A) The City is duly created and validly existing as a municipal corporation and general law city organized and existing under the laws of the State of California, with the power to issue the Notes pursuant to the Act.

(B) At or prior to the Closing, (i) the City will have taken those actions relating to the issuance, delivery, and payment of the Notes, as authorized by the City in the Resolution; (ii) the City has full legal right, power and authority to enter into this Note Purchase Agreement and to adopt the Resolution, the City has full legal right, power and authority to issue and deliver the Notes to the Underwriter, and the City has full legal right, power and authority to perform its obligations under each such document or instrument, and to carry out and effectuate the transaction contemplated by this Note Purchase Agreement and the Resolution; (iii) the execution and delivery or adoption of, and the performance by the City of the obligations contained in the Note, the Resolution, this Note Purchase Agreement, and the Continuing Disclosure Certificate have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Note Purchase Agreement constitutes a valid and legally binding obligation of the City; and (v) the City has authorized the consummation by it of all transactions contemplated by this Note Purchase Agreement.

(C) No consent, approval, authorization, order, filing, registration, qualification, election or referendum of or by any person, organization, court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Notes or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to qualify the Notes for offer and sale under the Blue Sky and or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may designate.

(D) The issuance of the Notes, the execution, delivery and performance of this Note Purchase Agreement, the Resolution and the Notes, and compliance with the provisions hereof do not conflict with or constitute on the part of the City a violation of or a default under the Constitution of the State of California or any other existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the City is a party or by which it is bound or to which it is subject.

(E) To the best of the City's knowledge, no action, suit, proceeding, hearing or investigation is pending or threatened against the City: (i) in any way affecting the existence of the City or in any way challenging the respective powers of the several offices or the titles of the officials of the City to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Notes, the application of the proceeds of the sale of the Notes, or the collection of the principal and interest on the Notes, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Notes, this Note Purchase Agreement and the Resolution or contesting the powers of the City or its authority with respect to the Notes, the Resolution or this Note Purchase Agreement; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the City or the consummation of the transactions contemplated by this Note Purchase Agreement and the Resolution, (b) declare this Note Purchase Agreement to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Notes from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation.

(F) Between the date hereof and the date of the Closing, the City has not, without prior written consent of the Underwriter, borrowed any additional moneys except for such borrowings as may be described in or contemplated by the Official Statement.

(G) The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the City is a bond issuer whose arbitrage certificates may not be relied upon.

(H) Any certificates signed by any officer of the City and delivered to the Underwriter shall be deemed a representation and warranty by the City, as the case may be, to the Underwriter as to the statements made therein but not of the person signing the same.

(I) Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the City since June 30, 2008 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change. The financial statements of, and other financial information, regarding the City in the Official Statement fairly present the financial position and results of the operations of the City as of the dates and for the periods therein set forth (i) the audited financial statements have been prepared in accordance with the generally accepted accounting principles consistently applied, and (ii) the other financial

information in the Official Statement has been determined on a basis substantially consistent with that of the City's audited financial statements included in the Official Statement; and

(J) The City is in compliance with all of its prior continuing disclosure undertakings under Rule 15c2-12, and at or prior to the Closing Date, the City will undertake pursuant to the Continuing Disclosure Certificate to provide certain notices of the occurrence of certain events, if material. The City has never failed in any material respect to comply with any previous undertaking to provide notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

9. Covenants of the City. The City covenants and agrees with the Underwriter that:

(A) The City will furnish such information, execute such instruments, and take such action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order to qualify the Notes for offer or sale under the Blue Sky or other securities laws and regulations or such states and jurisdictions, provided, however, that the City shall not be required to consent to process in any jurisdiction;

(B) The City will apply the proceeds from the sale of the Notes for the purposes specified in the Resolution; and

(C) For a period of 90 days after the Closing or until such time (if earlier) as the Underwriter shall no longer hold any of the Notes for sale, the City will adopt any amendment of or supplement to the Official Statement if any event relating to or affecting the City shall occur as a result of which it is necessary to amend or supplement the Official Statement in order to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to the purchaser. Any information supplied by the City for inclusion in any amendment or supplement to the Official Statement will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

10. Conditions and Closing. The Underwriter has entered into this Note Purchase Agreement in reliance upon the representations and warranties of the City contained herein and the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of Closing. The Underwriter's obligations under this Note Purchase Agreement are and shall be subject, at the option of the Underwriter, to the following further conditions at the Closing:

(A) The representations and warranties of the City contained herein shall be true, complete and correct in all material respects as of the date hereof and as of the date of Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the City

shall be in compliance with each of the agreements made by it in this Note Purchase Agreement.

(B) At the time of the Closing, (i) the Official Statement, this Note Purchase Agreement, the Resolution, and the Continuing Disclosure Certificate shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter; (ii) all actions under the Act which, in the opinion of the firm of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, bond counsel (“Bond Counsel”), shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and, (iii) the City shall perform or has performed all of its obligations required under or specified in the Resolution, the Note Purchase Agreement or the Official Statement to be performed at or prior to the Closing.

(C) No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Note Purchase Agreement (and not reversed on appeal or otherwise set aside), or to the best knowledge of the City, pending or threatened or contesting in any way the completeness or accuracy of the Official Statement.

(D) No order, decree or injunction of any court of competent jurisdiction, nor any order, ruling or regulation of the Securities and Exchange Commission, shall have been issued or made with the purpose or effect of prohibiting the issuance, offering or sale of the Notes as contemplated hereby and no legislation shall have enacted, or a bill favorably reported for adoption, or a decision by a court established under Article III of the Constitution of the United States rendered, or a ruling, regulation, proposed regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or issued, to the effect that the Notes or any securities of the City or of any similar body of the type contemplated herein are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect.

(E) At or prior to the date of the Closing, the Underwriter shall receive one copy of the following documents in each case dated as of the Closing Date and satisfactory in form and substance to the Underwriter:

(1) An approving opinion of Bond Counsel as to the Notes, addressed to the City.

(2) A letter setting forth that the Underwriter can rely upon the approving opinion of Bond Counsel.

(3) An approving opinion of Disclosure Counsel to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and

fairness of the statements in the Official Statement, and having made no independent investigation or verification thereof, no facts have come to their attention that lead them to believe that, as of the date of Closing, the Official Statement (except for any financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, as to which no opinion or view need be expressed) contains any untrue statement of a material fact or omits 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 that the Notes are exempt from registration under the Securities Act of 1933 and is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended, and that the Continuing Disclosure Certificate provides a suitable basis for the Underwriter, in connection with the Offering (as defined in the Securities and Exchange Commission Rule 15c2-12) of the Notes, to make a reasonable determination as required by section (b)(5) of said Rule.

(4) A certificate signed by appropriate officials of the City to the effect that (i) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, pending, or to his or her knowledge, threatened against the City or contesting in any way the completeness or accuracy of the Official Statement (but in lieu of or in conjunction with such certification the Underwriter may, at its sole discretion, accept certificates or opinions of Bond Counsel, that in their opinion the issues raised in any such pending or threatened litigation are without substance and that the contentions of all plaintiffs therein are without merit); and (ii) such official has reviewed the Official Statement and on such basis certifies that the Official Statement does not contain any untrue statement of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they are made, not misleading.

(5) A certificate signed by appropriate officials of the City to the effect that (i) the representation, agreements and warranties of the City herein are true and correct in all material respects as of the date of Closing, and (ii) the City has complied with all the terms of the Resolution and this Note Purchase Agreement to be complied with by the Closing, and such documents are in full force and effect.

(6) A non-arbitrage certificate of the City in form satisfactory to Bond Counsel.

(7) Evidence satisfactory to the Underwriter that the Notes shall have been rated “_____” by Standard & Poor’s Ratings Group (or such other equivalent rating as such rating agency may give) and that such rating has not been revoked or downgraded.

(8) A certificates, together with fully executed copy of the Resolution, of the City Clerk of the Board of Supervisors to the effect that:

(i) such copy is a true and correct copy of the Resolution; and

(ii) that the Resolution was duly adopted and has not been modified, amended rescinded or revoked and is in full force and effect on the date of the Closing.

(9) Evidence of required filings with the California Debt and Investment Advisory Commission (“CDIAC”).

(10) A copy of the Blanket Letter of Representations executed by the City and delivered to The Depository Trust Company (“DTC”), New York, New York, relating to the book-entry system for the Notes.

(11) Such additional legal opinion, certificates, proceedings, instruments and other documents as the Underwriter may reasonably request to evidence compliance (i) by the City with legal requirements; (ii) the truth and accuracy, as of the time of Closing, of the representations of the City herein contained and the City’s representations in the Official Statement; and, (iii) the due performance or satisfaction by the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the City.

11. Termination. If the City shall be unable to reasonably satisfy the conditions requested by the Underwriter to evidence compliance with the terms and conditions set forth in this Note Purchase Agreement, the Underwriter’s obligations for the purchase of the Notes shall be terminated for any reason permitted by this Note Purchase Agreement, and this Note Purchase Agreement may be canceled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the City in writing, or by telephone or telegraph confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the City hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

The Underwriter shall also have the right to cancel its obligation to purchase the Notes, by written notice to the City, if between the date hereof and the Closing: (i) any event occurs or information becomes known, which, in the reasonable professional judgment of the Underwriter, makes untrue any statement of a material fact set forth in the Official Statement or results in an omission to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (ii) the market for the Notes or the market price of the Notes or the ability of the Underwriter to enforce contracts for the sale of the Notes shall have been materially and adversely affected, in the reasonable professional judgment of the Underwriter, by (a) legislation enacted by the Congress of the United States, or passed by either House of Congress, or favorably reported for passage to either House of Congress by any Committee of such House to which such legislation has been referred for consideration, or by the legislature of the State of California (the “State”), or introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court of the United States or the State or by the United States Tax Court, or a ruling, order, or regulation (final, or

temporary, or proposed) or official statement issued or made by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or other federal or State authority, which would have the effect of changing, directly or indirectly, the federal income tax consequences or State tax consequences of interest on obligations of the general character of the Notes in the hands of the holders thereof, or (b) any outbreak or escalation of hostilities or other national or international calamity or crisis, the effect of such outbreak or escalation on the financial markets of the United States being such that, in the judgment of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Notes, or (c) a general suspension of trading on the New York Stock Exchange, or fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on the New York Stock Exchange, whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction, or (d) a general banking moratorium declared by either federal or State authorities having jurisdiction, or (e) the withdrawal or downgrade or potential thereof of any rating of obligations of the City making it impracticable or inadvisable to market the Notes as described in the Official Statement; or (iii) additional material restrictions not in force or being enforced as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which, in the opinion of the Underwriter, materially adversely affect the market price for the Notes.

12. Conditions to Obligations of the City. The performance by the City of its obligations is conditioned upon (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the City and the Underwriter of opinions and certificates being delivered at the Closing by persons and entities other than the City.

13. Expenses. The City shall pay the expenses incident to the performance of its obligations hereunder from the proceeds of the Notes (or from any other source of available funds of the City) which expenses include and are limited to: (i) the cost of the preparation and reproduction of the Resolution; (ii) the fees and costs of the City; (iii) the fees and disbursements of Bond Counsel and Disclosure Counsel; (iv) the fees and disbursements of Financial Advisor; (v) the costs of the preparation, printing and delivery of the Notes; (vi) the costs of the preparation, printing and delivery of the Official Statement and any amendment or supplement thereto in the quantity requested by the Underwriter; (vii) the fees of rating agency; and (viii) the fees and expenses of the Paying Agent.

All other costs and expenses incurred by the Underwriter as a result of or in connection with the purchase of the Notes shall be borne by the Underwriter, including, but not limited to: (i) clearing house fees; (ii) DTC fees; (iii) CUSIP fees; (iv) CDIAAC fees; (v) PSA (“Public Securities Association”) fees; (vi) MSRB (“Municipal Securities Rulemaking Board”) fees; and (vii) costs or fees of qualifying the Notes for offer and sale in various states chosen by the Underwriter and the costs or fees of preparing Blue Sky or legal investment memoranda to be used in connection therewith.

14. Notices. Any notice or other communication to be given under this Note Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing if to the City, to the City Manager and the Finance Officer of the City of Woodland; or if to the Underwriter to:

Southwest Securities, Inc.
2533 South Coast Highway 101, Suite 210
Cardiff By The Sea, California 92007
Attn: Michael Cavanaugh
Telephone: (760) 632-6824
Facsimile: (760) 632-8621

15. Parties in Interest; Survival of Representations and Warranties. This Note Purchase Agreement when accepted by the City in writing as heretofore specified shall constitute the entire agreement by and between the City and the Underwriter. This Note Purchase Agreement is made solely for the benefit of the City and the Underwriter (including the successors or assigns of the Underwriter). No person shall acquire or have any rights hereunder or by virtue hereof. All the representations, warranties and agreements of the City in this Note Purchase Agreement shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter, (b) delivery of and payment by the Underwriters for the Notes hereunder, and (c) any termination of this Note Purchase Agreement.

16. Execution in Counterparts. This Note Purchase Agreement 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 document.

17. Applicable Law; Venue. This Note Purchase Agreement shall be interpreted, governed and enforced in accordance with the laws of the State of California. Any and all disputes or legal actions or proceedings arising out of this Note Purchase Contract or any document related hereto shall be filed and maintained in a court of competent jurisdiction in the County of Yolo. By execution of and delivery of this Note Purchase Contract, the parties hereto accept and consent to the aforesaid jurisdiction.

Very truly yours,

SOUTHWEST SECURITIES, INC.

By: _____
Title: _____

The foregoing is hereby agreed to and accepted as of the date first written above.

CITY OF WOODLAND

By: _____
Title: _____

§ _____
**CITY OF WOODLAND
STATE OF CALIFORNIA
2009-2010 TAX AND REVENUE ANTICIPATION NOTES**

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Woodland (the “City”) in connection with the issuance of \$ _____ aggregate principal amount of its City of Woodland, State of California, 2009-2010 Tax and Revenue Anticipation Notes (the “Notes”) issued pursuant to a resolution authorizing the issuance of the Notes adopted by the City Council of the City of Woodland on September 1, 2009 (the “Resolution”), and in connection therewith the City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. The Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Notes and in order to assist the Underwriter of the Notes 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 Resolution, which apply to any capitalized term used in the Disclosure Certificate unless otherwise defined in this section, the following capitalized terms shall have the following meanings:

“**Beneficial Owner**” shall mean any person that (a) has or shares the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Note or Notes (including persons holding Notes through nominees or depositories), or (b) is treated as the owner of any Notes for federal income tax purposes.

“**Holders**” shall mean either the registered owners of the Notes, or, if the Notes are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

“**Listed Event**” shall mean any of the events listed in Section 3(a) hereof.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board.

“**Repository**” shall mean MSRB 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. (As of the date of this Disclosure Certificate, there is no California state information depository.)

“**Rule**” shall mean 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.

“**Underwriter**” shall mean Southwest Securities, Inc. and any other original underwriters of the Notes, if any, required to comply with the Rule in connection with offering of the Notes.

SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this section, the City shall give notice of the occurrence of any of the following events with respect to the Notes, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) modifications to the rights of the Holders of the Notes;
- (iv) optional, contingent or unscheduled Note calls;
- (v) defeasances;
- (vi) rating changes;
- (vii) adverse tax opinions or events adversely affecting the tax-exempt status of the Notes;
- (viii) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (ix) unscheduled draws on credit enhancements reflecting financial difficulties;
- (x) substitution of credit or liquidity providers, or their failure to perform;
- (xi) release, substitution or sale of property securing repayment of the Notes; and
- (xii) initiation of bankruptcy proceedings by the City.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if knowledge of such event would be material under applicable federal securities laws.

(c) If the City determines that knowledge of the occurrence of a Listed Event is material under applicable federal securities laws, the City shall promptly file a notice of the occurrence with the Repository.

SECTION 4. Termination of Reporting Obligation. The City’s obligations under the Disclosure Certificate shall terminate upon the defeasance, prior redemption, or payment in full of all of the Notes.

SECTION 5. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by

the Disclosure Certificate, the City shall have no obligation under the Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 6. Default. In the event of a failure of the City to comply with any provision of the Disclosure Certificate, the Underwriter or any Holder of Notes 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 the Disclosure Certificate; provided, that the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance hereunder.

SECTION 7. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the City, the Underwriter, the Beneficial Owners and the Holders, and shall create no rights in any other person or entity.

SECTION 8. Submissions to Repository. All documents shall be submitted to the Repository in an electronic format and shall be accompanied by identifying information, all as prescribed by the Repository.

SECTION 9. 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.

SECTION 10. State of California Law Governs. The validity, interpretation and performance of this Disclosure Certificate shall be governed by the laws of the State of California.

Dated: _____, 2009

CITY OF WOODLAND

By: _____

Title: _____