

OFFERING MEMORANDUM

**NOT TO EXCEED
\$38,000,000
WOODLAND FINANCE AUTHORITY
WATER REVENUE COMMERCIAL PAPER NOTES**

Citigroup Global Markets Inc., as commercial paper dealer (the “Dealer”), is offering for sale Woodland Finance Authority Water Revenue Commercial Paper Notes (the “Commercial Paper Notes”) in an aggregate principal amount not to exceed \$38,000,000 at any one time Outstanding. The Commercial Paper Notes will be executed and delivered pursuant to a Trust Agreement (the “Trust Agreement”), as supplemented by a Trust Indenture (the “Trust Indenture” and together with the Trust Agreement, the “Indenture”), each between the Authority and U.S. Bank National Association, as trustee (the “Trustee”) and an Issuing and Paying Agency Agreement (the “Issuing and Paying Agency Agreement”), between the Authority and U.S. Bank National Association, as Issuing and Paying Agent (the “Issuing and Paying Agent”). The Commercial Paper Notes will be executed and delivered from time to time in such principal amounts as proposed by the Dealer and determined by the Authority in Authorized Denominations of \$100,000 and in integral multiples of \$1,000 in excess thereof, registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (“DTC”).

The Commercial Paper Notes are secured solely from a pledge of Revenues, consisting of CP Project Installment Payments (defined herein) made by the City of Woodland (the “City”) to the Authority pursuant to an Installment Purchase Contract, as amended by the First Supplemental Installment Purchase Contract and the Second Supplemental Installment Purchase Contract (collectively, the “CP Project Installment Purchase Contract”) for the purchase of certain improvements (the “CP Project”) made to the Water System of the City. The obligation of the City to make the CP Project Installment Payments from Net Water Revenues (defined herein) is absolute and unconditional and until the Commercial Paper Notes are paid in full and may not be abated, discontinued or suspended whether or not any part of the CP Project or any part thereof is operating or operable or has been completed, or its use suspended, interfered with, reduced curtailed or terminated, in whole or in part.

Principal of and interest with respect to the Commercial Paper Notes is payable by the Issuing and Paying Agent from drawings on an irrevocable direct-pay letter of credit (the “Letter of Credit”), issued by Union Bank, N.A. (the “Bank”), pursuant to a Reimbursement Agreement, among the Authority, the City and the Bank. In accordance with the terms thereof, the Letter of Credit expires on May 12, 2014, unless the expiration date is extended or unless the Letter of Credit terminates earlier in accordance with its terms.

This Offering Memorandum contains certain information for general reference only. It is not intended to be a complete summary of the terms of or security for the Commercial Paper Notes. Additional information essential to the making of an informed investment decision with respect to the Commercial Paper Notes may be obtained in the manner described under the caption “INFORMATION INCORPORATED BY REFERENCE.” All references to documents and other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the documents and other materials referenced. Capitalized terms used herein not otherwise defined shall have the respective meanings given thereto in such documents and other materials referenced. The information and expressions of opinion in this Offering Memorandum are subject to change without notice after the date hereof. Future use of this Offering Memorandum shall not create any implication that there has been no change in the matters referred to in this Offering Memorandum since its date.

The Commercial Paper Notes are limited obligations of the Authority payable solely from Revenues, consisting primarily of CP Project Installment Payments and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except as described herein. Neither the faith and credit nor the general taxing power of the City, the County of Yolo, the State of California, or any political subdivision thereof is pledged to the payment of the Commercial Paper Notes. The obligation of the City to make CP Project Installment Payments is a special obligation payable solely from Net Water Revenues and certain other legally available funds as provided in the CP Project Installment Purchase Contract and does not constitute a debt, liability or obligation of the City for which it is obligated to levy or pledge, or for which it has levied or pledged, any form of taxation. The Commercial Paper Notes do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Authority has no taxing power.

Citi
Dealer for the Commercial Paper Notes

Dated: May 11, 2011.

No dealer, broker, salesperson or other person has been authorized by the Authority, the City, or the Underwriter to give any information or to make any representations other than as contained in this Offering Memorandum, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Commercial Paper Notes by any person, in any jurisdiction where such offer, solicitation or sale would be unlawful. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances create any implication that there at any time does not imply that the information contained herein is correct as of any time subsequent to its date.

The Dealer has provided the following sentence for inclusion in this Offering Memorandum: The Dealer has reviewed the information in this Offering Memorandum in accordance with, and as part of, its responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Dealer does not guarantee the accuracy or completeness of such information.

The issuance and sale of the Commercial Paper Notes have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities. The registration or qualification of the Commercial Paper Notes in accordance with applicable provisions of securities laws of the states in which these Commercial Paper Notes have been registered or qualified, and the exemption from registration or qualification in other states shall not be regarded as a recommendation thereof. None of these states or any of their agencies has passed upon the merits of the securities or the accuracy or completeness of this Offering Memorandum. Any representation to the contrary may be a criminal offense.

The City maintains a website. Unless specifically indicated otherwise, the information presented on that website is *not* incorporated by reference as part of this Offering Memorandum and should not be relied upon in making investment decisions with respect to the Commercial Paper Notes.

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\$38,000,000
WOODLAND FINANCE AUTHORITY
WATER REVENUE COMMERCIAL PAPER NOTES

GENERAL INFORMATION CONCERNING THE OFFERING

This Offering Memorandum is not to be construed as a contract between the Authority and the purchasers of the Commercial Paper Notes. Prospective purchasers of the Commercial Paper Notes are expected to conduct their own review and analysis before making an investment decision.

This Offering Memorandum relates to the offering by Citigroup Global Markets Inc. (the “Dealer”), from time to time, of not to exceed \$38,000,000 aggregate principal amount of Woodland Finance Authority Water Revenue Commercial Paper Notes (the “Commercial Paper Notes”) issued by the Woodland Finance Authority (the “Authority”). The Commercial Paper Notes are issued pursuant to a Trust Agreement dated February 1, 2011 (the “Trust Agreement”), as supplemented by a Trust Indenture dated May 1, 2011 (the “Trust Indenture” and together with the Trust Agreement, the “Indenture”), each between the Authority and U.S. Bank National Association, as trustee (the “Trustee”) and an Issuing and Paying Agency Agreement dated May 1, 2011 (the “Issuing and Paying Agency Agreement”), between the Authority and U.S. Bank National Association, as Issuing and Paying Agent (the “Issuing and Paying Agent”). The aggregate principal amount of the Commercial Paper Notes outstanding may change from time to time as provided in the Issuing and Paying Agent Agreement. The Commercial Paper Notes will be executed and delivered as fully registered securities in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (“DTC”). See APPENDIX C–“DTC AND THE BOOK-ENTRY ONLY SYSTEM.”

The Commercial Paper Notes are secured solely from a pledge of Revenues, consisting of CP Project Installment Payments (defined herein) made by the City of Woodland (the “City”) to the Authority pursuant to an Installment Purchase Contract dated February 1, 2011, as amended by the First Supplemental Installment Purchase Contract dated February 1, 2011 and the Second Supplemental Installment Purchase Contract dated May 1, 2011 (collectively, the “CP Project Installment Purchase Contract”) for the purchase of certain improvements (the “CP Project”) made to the water system of the City (the “Water System”). The obligation of the City to make the CP Project Installment Payments from Net Water Revenues (defined herein) is absolute and unconditional and until the Commercial Paper Notes are paid in full and may not be abated, discontinued or suspended whether or not any part of the CP Project or any part thereof is operating or operable or has been completed, or its use suspended, interfered with, reduced curtailed or terminated, in whole or in part. **No funds or properties of the City, other than the Net Water Revenues, are pledged to pay the CP Project Installment Payments.** See “SECURITY AND SOURCES OF PAYMENT FOR THE COMMERCIAL PAPER NOTES–Pledge of Revenues.”

Principal of and interest with respect to the Commercial Paper Notes is payable by the Issuing and Paying Agent from drawings on an irrevocable direct-pay letter of credit (the “Letter of Credit”) issued by Union Bank, N.A. (the “Bank”), pursuant to a Reimbursement Agreement, dated as of May 1, 2011 (the “Reimbursement Agreement”), among the Authority, the City and the Bank. In accordance with the terms thereof, the Letter of Credit expires at 5:00 p.m., New York City time, on May 12, 2014, unless the expiration date is extended or unless the Letter of Credit terminates earlier in accordance with its terms. See “LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT.”

If for any reason the Bank fails to make a payment due under the Letter of Credit, no assurance can be given that the Authority will have sufficient Revenues on hand and available to make such payment of principal of and/or interest on the Commercial Paper Notes or to make such payments in a timely manner.

The Authority has outstanding \$18,815,000 principal amount of water revenue bonds that are payable from installment payments made by the City from Net Water Revenues on a parity with the CP Project Installment Payments. See “SOURCES OF REVENUES FOR PAYMENT OF THE COMMERCIAL PAPER NOTES—Outstanding Water System Obligations.”

No attempt is made herein to provide a complete summary of the terms of the Indenture, the CP Project Installment Purchase Contract or the State or federal loans of the Authority. The Authority will provide upon request copies of its most recent official statements concerning water revenue bonds that are payable from Net Water Revenues, and the foregoing documents. The information and opinions set forth herein are subject to change without notice, and neither the delivery thereof nor the delivery of this Offering Memorandum shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City, the Water System or other matters described herein. Copies of any of the foregoing documents may be obtained from the Authority through the Dealer for the Commercial Paper Notes: Citigroup Global Markets Inc., 390 Greenwich Street, 2nd Floor, New York, New York 10013; Attention: Short Term Tax Exempt Trading; phone: 212-723-7082.

THE COMMERCIAL PAPER NOTES

The Commercial Paper Notes are authorized and issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Bond Act”), and the Indenture.

The proceeds of the Commercial Paper Notes will be used by the Authority to finance the costs of the CP Project, which consists of planning, designing, engineering, acquiring and constructing certain improvements to the Water System of the City. The Authority will sell the CP Project to the City pursuant to the terms of the CP Project Installment Purchase Contract.

The Commercial Paper Notes will be dated as of their date of issuance and shall bear an effective interest rate per annum computed on the basis of a 365- or 366-day year, as applicable, for actual days elapsed, and shall mature and become due and payable on such dates as determined by the Dealer in accordance with the Dealer Agreement dated May 1, 2011 (the “Dealer Agreement”) among the Dealer, the Authority and the City.

No Commercial Paper Note shall (i) mature on a day that is not a Business Day (defined as a day other than a Saturday or Sunday or a day on which banks in each of the cities in which the principal offices of the Authority, the Trustee, the Issuing and Paying Agent and the Dealer and the office of the Credit Bank at which demands for payment under the Letter of Credit are to be presented are located are authorized by law or executive order to remain closed or a day on which the New York Stock Exchange is closed); (ii) mature after the date that is five Business Days prior to the Expiration Date of the Letter of Credit; (iii) have a term in excess of 270 days; (iv) bear interest at a rate in excess of the Maximum Rate (defined as the lesser of 12% per annum and the maximum rate of interest on the relevant obligation permitted by applicable law); or (v) result in the aggregate principal amount of Commercial Paper Notes Outstanding together with interest thereon exceeding the Stated Amount of the Letter of Credit. See “THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT.”

The Commercial Paper Notes will be issued, sold, executed and delivered from time to time as proposed by the Dealer and approved by the Authority as fully-registered notes, in book-entry only form, in the name of Cede & Co., as registered owner and nominee for DTC. The Commercial Paper Notes will be issued in Authorized Denominations of \$100,000 and in integral multiples of \$1,000 in excess of \$100,000. Beneficial ownership interests in the Commercial Paper Notes will be available in book-entry form only, and purchasers of the Commercial Paper Notes will not receive certificates representing their interests in the

Commercial Paper Notes purchased. While held in book-entry only form, the Issuing and Paying Agent, will make all payments of principal of and interest on the Commercial Paper Notes by wire transfer to DTC or its nominee as the sole registered owner of the Commercial Paper Notes. Payments to the beneficial owners are the responsibility of DTC and its participants. See APPENDIX C—"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT

General

The Letter of Credit will be issued by the Bank pursuant to the Reimbursement Agreement. The following summarizes certain provisions of the Letter of Credit and the Reimbursement Agreement, to which documents reference is made for the complete provisions thereof. Investors should obtain and review a copy of the Reimbursement Agreement and the Letter of Credit in order to understand all of the terms thereof. The provisions of any Alternate Letter of Credit (as defined in the Indenture) and the related reimbursement agreement may be different from those summarized below.

Letter of Credit

The Commercial Paper Notes are payable from and supported by an irrevocable direct-pay Letter of Credit issued by the Bank in favor of the Issuing and Paying Agent. The Letter of Credit is issued pursuant to the terms and conditions of the Reimbursement Agreement in the stated amount of \$41,373,151 (the "Stated Amount") consisting of a principal component equal to \$38,000,000 and an interest component equal to \$3,373,151, representing 270 days' interest on the Commercial Paper Notes calculated at an assumed maximum interest rate of 12% per annum, calculated on the basis of the actual number of days elapsed in a year of 365 days. The Stated Amount of the Letter of Credit may be reduced and/or reinstated from time to time as described in the Reimbursement Agreement. The Issuing and Paying Agent is required to draw upon the Letter of Credit in an amount sufficient to pay both principal of and interest on the Commercial Paper Notes when due.

The Letter of Credit will terminate on the earliest of: (i) 5:00 P.M. (New York time) on May 12, 2014 (the "Stated Expiration Date"); (ii) the date on which the Bank receives written notice from the Issuing and Paying Agent that a Alternate Letter of Credit has been substituted for the Letter of Credit in accordance with the Indenture, (iii) the date on which the Bank receives written notice from the Issuing and Paying Agent that there are no longer any Commercial Paper Notes "Outstanding" as defined in the Indenture and that the Issuing and Paying Agent elects to terminate the Letter of Credit, or (iv) the earlier of (a) the 10th calendar day after the date on which the Issuing and Paying Agent receives the Final Drawing Notice (as defined in the Reimbursement Agreement) and (b) the date on which the Drawing is received resulting from the delivery of the Final Drawing Notice and is honored. The Letter of Credit Expiration Date may be extended as provided in the Reimbursement Agreement. ***The Letter of Credit may not be terminated while any Commercial Paper Notes are Outstanding.***

Reimbursement Agreement

Pursuant to the Reimbursement Agreement, the occurrence of any of the following events, among others, shall constitute an Event of Default thereunder. Reference is made to the Reimbursement Agreement for a complete listing of all Events of Default:

Events of Default.

(a) the City shall fail to pay, or cause to be paid, as and when due, any Obligation (as defined in the Reimbursement Agreement);

(b) any representation, warranty, certification, or statement made by the City or the Authority in the Reimbursement Agreement or in any certificate, financial statement, or other document delivered pursuant to the Reimbursement Agreement shall prove to have been incorrect in any material respect when made;

(c) breach by the City of certain covenants, agreements, or other requirements contained in the Reimbursement Agreement.

(d) breach by the City of any other covenant, agreement, or condition (other than those referred to or contained in clauses (a), (b), or (c) under this subheading “*Events of Default*”) contained in the Reimbursement Agreement or any of the Reimbursement Agreement, the Letter of Credit, the Fee Letter, the Issuing and Paying Agency Agreement, the Commercial Paper Notes, the Dealer Agreement, the Trust Agreement, the Purchase Contract, the Offering Memorandum, the Bank Note (each as defined in the Reimbursement Agreement) and any documents related thereto (each a “Program Document” and collectively, the “Program Documents”) and the continuation thereof for more than ten days after written notice thereof has been given to the City by the Bank without cure or correction to the satisfaction of the Bank;

(e) (i) a final unappealable judgment or order for the payment of money in excess of \$2,500,000 payable from Water Revenues shall be rendered against the City in connection with the Water System and such judgment or order shall continue unsatisfied and unstayed for a period of 60 days, or (ii) the City shall have failed promptly to lift any execution, garnishment, or attachment pursuant to such judgment or order as will impair the City’s ability to carry on its Water System business;

(f) (i) default by the City in the payment of any Indebtedness (as defined in the Reimbursement Agreement) payable from or secured by the Net Water Revenues when due or within any applicable grace period or (ii) the occurrence of any event under any ordinance, resolution, or instrument giving rise to any such Indebtedness, which results in or would entitle the obligee thereof or a trustee on behalf of such obligee to pursue any remedies against the City, including the right to declare the acceleration of any maturity thereof, or upon the lapse of time or the giving of notice or both would entitle the obligee thereof or a trustee on behalf of such obligee to accelerate any maturity thereof, or which results in the forfeiture by the City of any of its rights under any such ordinance, resolution, or instrument;

(g) (i) the City shall commence a voluntary case or other proceeding seeking (x) liquidation, reorganization, or other relief with respect to the Water System or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or (y) the appointment of a receiver, liquidator, custodian, or other similar official with respect to the City or any substantial part of its property, or shall consent to or acquiesce in such relief or the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it; (ii) a receiver, liquidator, custodian, or other official, appointed in an involuntary case or proceeding commenced against the City, appointed without consent or acquiescence of the City, takes charge of a substantial part of the Water System; (iii) the City shall make a general assignment for the benefit of creditors, or declare a moratorium with respect to its debts, or shall fail generally to pay its debts as they become due, or shall take any action to authorize any or all of the foregoing; or (iv) an involuntary case or other proceeding shall be commenced against the City seeking (x) liquidation, reorganization, or other relief with respect to

the City's debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect, or (y) the appointment of a custodian, receiver, liquidator, trustee or other similar official of the Water System, or any substantial part thereof, and such proceeding or case shall not be dismissed or stayed within 60 days after the filing thereof or an order of relief shall be entered against the City under the federal bankruptcy laws as now or hereafter in effect;

(h) (i) any provision of the Reimbursement Agreement, the Fee Letter (as defined in the Reimbursement Agreement) or any other Program Document relating to the City's ability to make payments to the Bank hereunder and under the Fee Letter, to make payments on the Commercial Paper Notes or to raise funds to meet such payment obligations or any other material provision of the Reimbursement Agreement shall at any time for any reason cease to be valid and binding on the City as a result of federal or state legislative or administrative action, or shall be declared in a final non-appealable judgment by any court having jurisdiction over the City to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be contested by the City, or (ii) the City (A) repudiates or otherwise denies, in writing, in a judicial or administrative proceeding that it has any further liability or obligation hereunder, or (B) contests, in a judicial or administrative proceeding, the validity or enforceability of any material provision of the Reimbursement Agreement (including, without limitation, its obligations to make payments as and when due hereunder) or any Program Document relating to or otherwise affecting the City's obligation to make payments on the Commercial Paper Notes or to raise funds to meet such payment obligations;

(i) the powers of the City shall be limited in any way or the Indenture shall be modified or amended in any way without the prior written consent of the Bank, in either case, which prevents the City from fixing, charging or collecting rates and charges for the use and services of the Water System in any amount sufficient to pay its debts as they become due;

(j) any of Fitch, Moody's and S&P shall have downgraded its rating of the unenhanced debt of the Water System to below "BBB-" (or its equivalent), "Baa3" (or its equivalent), or "BBB-" (or its equivalent) respectively, or any two of Fitch, Moody's and S&P shall have suspended or withdrawn its rating of the same; or

(k) any event of default shall have occurred and be continuing under or with respect to any other credit enhancement or liquidity agreement supporting any other tranche of Commercial Paper Notes (as defined respectively therein).

Remedies. Following the occurrence of any of the above described Events of Default, the Bank may take any one or more of the following actions, among others. Reference is made to the Reimbursement Agreement for a complete listing of all consequences of Events of Default:

(a) declare all Obligations to be immediately due and payable, whereupon the same shall be immediately due and payable without any further notice of any kind, which notice is hereby waived by the City; *provided, however*, that in the case of an Event of Default described in clause (g) under the subheading "Events of Default" above, such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing); or

(b) issue a No-Issuance Notice (as defined in the Reimbursement Agreement) (the effect of which shall be as provided in the Reimbursement Agreement), reduce the Stated Amount (as defined in the Reimbursement Agreement) of the Letter of Credit to the amount of the then outstanding Commercial Paper supported by the Letter of Credit plus a corresponding amount of interest coverage and/or terminate the Stated Amount as the then outstanding Commercial Paper Notes are paid; or

- (c) issue the Final Drawing Notice (the effect of which shall be to cause the Termination Date (as defined in the Reimbursement Agreement) of the Letter of Credit to occur on the tenth (10th) calendar day after the date of receipt thereof by the Issuing and Paying Agent); or
- (d) pursue any rights and remedies it may have under the Program Documents; or
- (e) pursue any other action available at law or in equity.

Alternate Letter of Credit

On any date on which all Outstanding Commercial Paper Notes mature, or on any other date if the Owners of all the Commercial Paper Notes that mature after that date shall have consented thereto, but only as permitted by the Trust Agreement and the Reimbursement Agreement, the Authority may deliver to the Issuing and Paying Agent an Alternate Letter of Credit to replace the Letter of Credit then in effect, including while the Commercial Paper Notes are Outstanding. The Authority is required under the Indenture to provide written notification to the Trustee, the Issuing and Paying Agent, the Dealer, any rating agency then rating the Commercial Paper Notes and the Bank of the proposed substitution of an Alternate Letter of Credit for the Letter of Credit and the related substitution date at least 15 days prior to such substitution date. The Trustee is required under the Indenture to give written notice of the occurrence of such substitution date to the Owners of the Commercial Paper Notes at least 10 Business Days prior to the scheduled occurrence thereof.

Prior to the delivery of the Alternate Letter of Credit, the Authority is required to deliver to the Issuing and Paying Agent: (i) written evidence from the rating agencies then rating the Commercial Paper Notes that the ratings assigned by such rating agencies to the Commercial Paper Notes will not be withdrawn or reduced as the result of the substitution of such Alternate Letter of Credit for the Letter of Credit, unless all of the Outstanding Commercial Paper Notes: (A) mature on the day prior to the effective date of such substitution and (B) are paid or provided to be paid (including, without limitation, from the proceeds of the Letter of Credit being replaced) immediately prior to such substitution; (ii) an Opinion or Opinions of Counsel, addressed to the Trustee and the Issuing and Paying Agent, to the effect that: (A) such Alternate Letter of Credit is the legal, valid and binding obligation of the issuer or issuers thereof, enforceable against such issuer or issuers in accordance with its terms (subject to customary exceptions relating to bankruptcy, insolvency and rights of creditors generally and to specific performance and equitable remedies); and (B) in connection with the sale of the Commercial Paper Notes with the support of such Alternate Letter of Credit, it is not necessary to register such Alternate Letter of Credit under the Securities Act of 1933, as amended, or to qualify an indenture relating to such Alternate Letter of Credit under the Trust Indenture Act of 1939, as amended, (iii) an Opinion of Counsel to the effect that substitution of such Alternate Letter of Credit for the Letter of Credit is authorized under the Indenture and complies with the terms hereof and will not cause the interest on the Commercial Paper Notes to be includable in the gross income of Owners for purposes of federal income taxation, and (iv) the written acknowledgment of the Bank that all conditions precedent to the substitution of such Alternate Letter of Credit for the Letter of Credit that are contained in the Reimbursement Agreement have been fulfilled (or provision satisfactory to the Bank has been made for such fulfillment) and that all Reimbursement Obligations have been paid in full. Upon delivery of an Alternate Letter of Credit for the Letter of Credit, together with the documents described in the preceding clauses (i) through (iv), the Trustee shall accept such Alternate Letter of Credit and, upon such acceptance, such Alternate Letter of Credit shall be the Letter of Credit and the issuer or issuers of such Alternate Letter of Credit shall be the Bank, in each case, for all purposes of the Indenture.

The Authority is required to use its best efforts to cause an Alternate Letter of Credit to be substituted for the Letter of Credit in accordance with the terms of the Indenture if: (i) the Bank rescinds terminates or repudiates the Letter of Credit or any governmental authority with jurisdiction is challenging the validity or enforceability of the Letter of Credit, or (ii) the Bank fails or refuses to extend the Expiration Date of the

Letter of Credit. The Authority may not rescind or terminate a Letter of Credit unless an Alternate Letter of Credit has been substituted therefor in accordance with the terms of the Indenture.

If the Bank determines not to extend the term of the Letter of Credit and the Authority is unable to provide an Alternate Letter of Credit, the Authority is required under the Indenture to notify in writing the Trustee, the Issuing and Paying Agent, and the Dealer immediately upon determining that an Alternate Letter of Credit will not be provided and in any event, within 80 days prior to the Expiration Date of the Letter of Credit.

THE BANK

The following information concerning the Bank has been provided by representatives of the Bank and has not been independently confirmed or verified by the Dealer, the Authority or the City. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.

Union Bank, N.A.

Union Bank is a full-service commercial bank providing an array of financial services to individuals, small businesses, middle-market companies, and major corporations. The Bank operates 339 branches and 561 ATM's in California, Oregon, Washington, and Texas, as well as two international offices. The Bank serves commercial clients across the country, and has a retail customer base of approximately one million households.

Union Bank, N.A. is the primary subsidiary of UnionBanCal Corporation, the second-largest commercial bank holding company headquartered in California, based on assets of \$79.1 billion at December 31, 2010. UnionBanCal is a wholly owned subsidiary of The Bank of Tokyo-Mitsubishi UFJ, Ltd., and a member of the Mitsubishi UFJ Financial Group, Inc., one of the world's largest financial organizations.

For the quarter ending December 31, 2010, the Corporation had loans totaling \$48.1 billion, total assets of \$79.1 billion and total deposits of \$60.0 billion. For fiscal year ended December 31, 2010, a net income of \$573.0 million was reported, compared with a net loss of \$65 million for full year 2009. Copies of the latest annual report and the most recent quarterly report may be obtained at www.unionbank.com or at the Bank's Los Angeles office, located at 445 South Figueroa Street, Los Angeles, California 90071.

SOURCES OF REVENUES FOR PAYMENT OF THE COMMERCIAL PAPER NOTES

Pledge of Revenues Under the Trust Indenture

The Commercial Paper Notes are limited obligations of the Authority payable solely from the Revenues and other assets pledged under the Trust Indenture.

Pursuant to the Trust Indenture, the Authority pledges all of the Revenues and any other amounts (including proceeds of the sale of Commercial Paper Notes) held in any fund or account established pursuant to the Trust Agreement, other than amounts on deposit in the Rebate Fund, and transfers, assigns, and sets over to the Trustee all of the CP Project Installment Payments and any and all rights and privileges it has under the CP Installment Purchase Contract. The term "Revenues" is defined in the Trust Indenture to mean all CP Project Installment Payments paid by the City and received by the Authority pursuant to the CP

Project Installment Purchase Contract and all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund established under the Indenture).

The obligation of the City to make the CP Project Installment Payments under the CP Project Installment Purchase Contract from Net Water Revenues is absolute and unconditional and until the Series 2011 Purchase Price for the Water Supply Project is paid in full, may not abate, discontinue or suspend any Installment Payments whether or not the Water Supply Project or any part thereof is operating or operable or has been completed, or its use suspended, interfered with, reduced or curtailed or terminated in whole or in part.

“*Net Water Revenues*” is defined in the Trust Agreement as, for any Fiscal Year, the Water Revenues during such Fiscal Year less Operation and Maintenance Costs during such Fiscal Year.

“*Water Revenues*” means all gross income and revenue received or receivable by the City from the ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including, without limiting the generality of the foregoing: (i) all rates, fees and charges (including connection fees and charges) received by the City for the Water Service and the other services of the Water System and all other income and revenue howsoever derived by the City from the ownership or operation of the Water System or arising from the Water System (including developer impact fees for Water System facilities), (ii) the earnings on and income derived from the investment of all such income, rates, fees, charges, or other moneys to the extent that the use of such earnings and income is limited to the Water System by or pursuant to law, (iii) the proceeds derived by the City directly or indirectly from the sale, lease, or other disposition of a part of the Water System, (iv) the payments received under a Financial Products Agreement, and (v) all income from the deposit or investment of any money in the Water Revenue Fund and the Rate Stabilization Fund and (vi) deposits to the Water Revenue Fund from amounts on deposit in the Rate Stabilization Fund, but only as and to the extent specified in the Installment Purchase Contract, but excluding in all cases any proceeds of taxes and any refundable deposits made to establish credit and advances or contributions in aid of construction. See “–Rate Covenant under the Trust Agreement; Collection of Rates and Charges” and “–Rate Stabilization Fund.”

“*Operation and Maintenance Costs*” is defined in the Trust Agreement (i) the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the City that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Trust Agreement or of any resolution authorizing the issuance of additional bonds, or of any resolution authorizing the execution of any Trust Agreement, indenture or contract secured by a pledge of Net Water Revenues, such as compensation, reimbursement and indemnification of the trustee for any such Trust Agreement, indenture or contract and fees and expenses of Independent Certified Public Accountants and Independent Engineers, Insurance Consultants and the financial advisor to the City; and (ii) all payments under an O&M Obligation, but excluding in all cases (A) depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles losses or gains on subsidiaries accounted for on any equity basis, or other bookkeeping entries of a similar nature, (B) intergovernmental transfers by the City that are not reimbursements or payments for overhead or other administrative expenses incurred by the City, and (C) all interest charges and charges for the payment of principal or amortization of bonded or other indebtedness of the City.

“*O&M Obligation*” is defined in the Trust Agreement as a contract entered into by the City with the State or the United States of America the payments under which are secured by a pledge of Water Revenues but that does not include a covenant restricting the issuance of additional obligations or require the City to maintain rates and charges in amounts any greater than required to meet the repayment obligations under such contract. The CEC Loan and the SRF Contract are each deemed to be an O&M Obligation under the Trust Agreement.

“*CEC Loan*” is defined in the Trust Agreement as Loan Number 025-03-ECB in the principal amount of \$2,150,000 made by the California Energy Resources Conservation and Development Commission to the City pursuant to the Energy Conservation Assistance Account Loan Agreement executed by the City on March 25, 2004.

As of April 30, 2011, the outstanding principal balance of the CEC Loan was \$944,848. Principal payments on this loan commenced in Fiscal Year 2007-08 and are scheduled to end in Fiscal Year 2016-17, with annual payments ranging from \$210,139.88 to \$210,139.94.

“*SRF Contract*” is defined in the Trust Agreement as the Funding Agreement No. AR09FP04 between the State of California Department of Public Health and the City.

As of April 30, 2011, the outstanding principal balance of the SRF Contract was \$3,933,420. Principal payments on this loan in the amount of \$236,878.41 are payable on March 1 and September 1, of each year, commencing September 1, 2013 and are scheduled to end on March 1, 2033.

The obligation of the City to make the CP Project Installment Payments is limited to Net Water Revenues. The CP Project Installment Payments are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the City or any of its income or receipts, except the Net Water Revenues. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the Commercial Paper Notes. No tax or other sources of funds, other than the Net Water Revenues, is pledged to pay CP Project Installment Payments.

The payments made by the City under the CP Project Installment Purchase Contract are scheduled in both time and amount to provide sufficient funds to pay, when due, the principal of and interest on the Commercial Paper Notes. **No funds or properties of the City, other than the Net Water Revenues, are pledged to pay the CP Project Installment Payments.**

Rate Covenant Under the Trust Agreement; Collection of Rates and Charges

The City covenants in the Installment Purchase Contract to fix, prescribe and collect rates and charges for the Water Service during each Fiscal Year that are reasonably fair and nondiscriminatory that will be at least sufficient to yield: (i) Net Water Revenues that, together with other revenues of the City (including special taxes and assessments not pledged to debt service on other obligations of the City) equal to 120% of Debt Service payable on the Commercial Paper Notes, (ii) any amounts necessary to replenish the Reserve Fund, and any similar reserve fund established with respect to any City Revenue Bonds or Contracts to the required amounts; and (iii) any amounts necessary to pay all amounts owed to any issuer of a Reserve Facility and any similar credit instrument obtained with respect to any City Revenue Bonds or Contracts. The City may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Water Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements described in the preceding sentence.

“*City Revenue Bonds*” is defined in the Trust Agreement to mean all revenue bonds of the City authorized, executed, issued and delivered by the City under and pursuant to applicable law, the interest and principal and redemption premium, if any, payments under and pursuant to which are payable from Net Water Revenues on a parity with the payment of the CP Project Installment Payments.

“*Contracts*” is defined in the Trust Agreement to mean all installment sale contracts, capital leases or similar obligations of the City authorized and executed by the City under and pursuant to applicable law, the interest and principal and prepayment premium, if any, payments under and pursuant to which are payable from Net Water Revenues on a parity with the payment of the CP Project Installment Payments. An O&M Obligation *is not* deemed to be a Contract.

Rate Stabilization Fund

The City may, but is not required to, establish a Rate Stabilization Fund which is held and maintained by the City. From time to time the City may deposit in the Rate Stabilization Fund from any available funds, including such Net Water Revenues as the City determines are not needed to make Installment Payments, provided that deposits for each Fiscal Year may be made until (but not after) 120 days following the end of such Fiscal Year. The City may withdraw amounts from the Rate Stabilization Fund for inclusion in Water Revenues for any Fiscal Year, such withdrawals to be made until (but not after) 120 days following the end of such Fiscal Year. All interest or other earnings on deposits in the Rate Stabilization Fund will be withdrawn therefrom and accounted for as Water Revenues.

Outstanding Water System Obligations

On March 3, 2011, the Authority issued \$18,815,000 principal amount of Woodland Finance Authority Water Revenue Bonds, Series 2011 (the “Series 2011 Bonds”) that are payable from installment payments (the “Series 2011 Installment Payments”) made by the City to the Authority on a parity with the obligation of the City to make CP Project Installment Payments to the Authority to pay the Commercial Paper Notes.

In addition, the City may at any time execute Contracts or issue City Revenue Bonds (each as defined in the Trust Agreement) that are payable from and secured by a pledge of Net Water Revenues that are on a parity with the obligation to make the CP Project Installment Payments and the Series 2011 Installment Payments from Net Water Revenues.

WATER SYSTEM

Water Supplies and Facilities

Water Supplies

Current Supplies. The City currently relies on 20 active groundwater wells for all of its water supply. Notable hydrologic features in the area include Yolo Bypass and Sacramento River two miles east, Willow Slough located to the south and Cache Creek one mile north of the City. A groundwater aquifer underlies the City and serves as the sole municipal water supply for the Water System at this time. The water supplied by the Water System does not pass through a central water treatment facility but is filtered naturally by the sand and gravel of the aquifer. Disinfection is provided at each well site by the addition of sodium hypochlorite (chlorine). The Water System produces over five billion gallons of safe drinking water per year.

In accordance with Sections 10750 *et seq.* of the State Water Code, spring 2011, the City expects to adopt a Groundwater Management Plan to assist in the development of an integrated regional water management program that will be coordinated with the Yolo County Integrated Groundwater Management Plan to manage the groundwater basin as a safe and sustainable water supply for the region.

Future Supplies. Since 2004, the City and the City of Davis have been working collaboratively on the Davis-Woodland Water Supply Project (the “Water Supply Project”) to secure a long-term, reliable source of high-quality water. When constructed, the Water Supply Project will divert water from the Sacramento River, convey the diverted water to a water treatment plant and convey the treated water to the City and the City of Davis, and if it decides to participate, the University of California, Davis (“UC Davis”) to satisfy the water utility needs of each entity. A final Environmental Impact Report for the Water Supply Project, which included the need of the two cities to secure supplemental water during the summer months, was certified in 2007.

In 2009, the City and the City of Davis executed a joint powers agreement (the “JPA Agreement”) that created the Woodland-Davis Clean Water Agency (the “Agency”). The Agency was formed to pursue the development, construction and operation of the Water Supply Project. The primary objectives of the Water Supply Project are to: (i) provide a new water supply to meet existing and future needs; (ii) improve drinking water quality; and (iii) improve the quality of treated wastewater discharges. When the Water Supply Project is completed, it will supplement existing groundwater resources, increase the reliability and long-term sustainability of the City’s water supply portfolio and assist the City in satisfying increasingly stringent State and federal drinking water standards and treated wastewater discharge regulations. The costs associated with the Water Supply Project will be funded by utility user fees and State and federal funding, if and to the extent such funding is available.

The City previously held water-right Application 30358B, which is on file with the California State Water Resources Control Board (the “SWRCB”), and which requests a permit to appropriate 15,000 acre-feet per year of water from the Sacramento River. In connection with the Water Supply Project, the City assigned all of its right, title and interest in Application 30358B to the Agency in December 2010.. In December 2010, the City of Davis and the UC Davis assigned to the Agency all of their rights, title and interests in water-right Application 30358A, which is on file with the SWRCB, and which requested a permit to appropriate 30,000 acre feet per year of water from the Sacramento River.

On March 1, 2011, the SWRCB approved the permit to appropriate up to 45,000 acre feet of surface water per year from the Sacramento River for the Water Supply Project. This new permit is subject to restrictions on diversions during dry-year conditions and other requirements. This allocation of surface water to each participant from the Water Supply Project and the reallocation of unneeded supply in any year will be governed by the terms of the JPA Agreement.

The Agency has negotiated various agreements in connection with the Water Supply Project, including: (i) a Water Agreement between the Agency and a private party (the “Water Agreement”) for the purchase and assignment of certain senior appropriative rights to divert and use water from the Sacramento River; (ii) a Joint Intake Agreement between the Agency and Reclamation District 2035 for sharing an intake site and the joint design, construction, operation and maintenance of a new screened water intake structure on the Sacramento River; (iii) a Real Property Agreement with a private party for the Agency and Reclamation District 2035 to acquire the intake site, and for the Agency to acquire pipeline and other easements for the Water Supply Project; and (iv) two separate Installment Purchase Agreements, one between the Agency and the City and one between the Agency and the City of Davis. Each of the agreements described in this paragraph has been executed.

If the necessary, regulatory approvals to implement the Water Agreement are issued, the Agency will have the right to divert 10,000 acre/feet of water each year (which amount will be reduced to 7,500 acre/feet per year in critically dry years) commencing in 2016, when the Water Supply Project is expected to be

completed and water deliveries are expected to begin, and continuing in perpetuity. The required payments from the Agency to the private party under the Water Agreement will total \$79,096,000, of which the City will be responsible for the payment of 53.9% (or \$42,632,744) and the City of Davis will be responsible for the payment of the remaining 46.1% (or \$36,463,256). These percentages correspond to the percentages of water that each city will be entitled to receive from the Water Supply Project. Pursuant to the Installment Purchase Agreements, the obligation of each city to pay for its share of the Water Agreement costs has been established and each city has committed to fix and collect water rates to cover the installment purchase obligation of the Agency under the Water Agreement.

In order for the Water Supply Project to be able to operate throughout all types of water years in the future, it will be necessary for the Agency to enter into other agreements for additional water supplies, or to develop alternative water supplies.

Facilities. The Water System is comprised of 20 groundwater wells located throughout the City, approximately 250 miles of water mains, 8,500 valves, 3,500 fire hydrants, one newly constructed 400,000 gallon elevated water storage tank, 16 water sampling stations, 53 end of the line blow-off valves and 1,000 backflow devices monitored by the City's back-flow testing program.

Power Supply. Power for the groundwater wells and pumps is supplied by Pacific Gas & Electric. The Water System operates eight diesel powered back-up generators at well sites throughout the City.

Water Supply Demand Measures and Conservation Efforts. The City has an active water conservation program to encourage and assist residents and businesses in using water efficiently. These efforts ensure compliance with state and federally mandated water conservation requirements and help ensure an adequate long-term water supply for the City. Water conservation efforts include financial incentives for residents and businesses such as rebates for water-conserving appliances, ultra-low flush toilets and weather-based irrigation controllers, and distribution of free low-flow showerheads and garden hose nozzles. Additional conservation efforts include public outreach programs on water-wise landscaping and water conservation measures, and school information programs on ways to reduce water usage. The water conservation staff also works with all City departments to lower the City's overall water consumption.

To encourage water conservation within the State and prevent waste, Assembly Bill 2572 (the "Water Measurement Law") was enacted in 2004. The Water Measurement Law requires urban water suppliers, including the City, to: (i) install meters, establish rates and fees and begin consumption-based billing (based on volume of water consumed) for all buildings constructed after January 1, 1992; and (ii) install water meters and begin consumption-based billing as a condition of water service for all customers on or before January 1, 2025.

The Water System initiated the installation of water meters throughout the Service Area in two phases. Phase I was completed in early 2010 and included the installation and/or retrofit of approximately 5,000 meters with Automatic Meter Reading Systems ("AMR") to permit automated billing. Completion of Phase I brought the City into compliance with the requirements of the Water Measurement Law that all water users in buildings constructed after 1992 be billed for the actual volume of water consumed. Phase II, which includes the installation of approximately 8,000 meters on the remainder of Water System connections, began in 2009 and is expected to be completed in fall 2011. Completion of Phase II will permit the Water System to initiate consumption based-billing of all customers in advance of the 2025 deadline established in the Water Measurement Law and offer customers the opportunity to increase their water conservation.

SB No. 7. On November 10, 2009, the Governor signed into law Senate Bill No. 7, "Sustainable Water use and Demand Reduction" ("SB 7") SB 7 requires, among other things, that the State achieve a 20% reduction in urban per capita water use by December 31, 2020, by reducing per capita water use by at least 10% over baseline use, on or before December 31, 2015. SB 7 also requires each urban retail water supplier (including the City) to develop urban water use targets and an interim water use target in accordance with

specified requirements. The City has contracted with an environmental engineering firm, West Yost Associates, to determine interim and final per capita water use targets, identify the appropriate base year, evaluate and recommend an appropriate method for developing the urban water use targets and assist with the public hearing process required to adopt the baseline method to be used. The City expects to hold a public hearing and adopt a per capita water use target by July 2011 after the State of California releases its final determination on baseline calculation methods.

Master Planning for the Water System

The Water System has initiated and adopted a number of studies and plans to identify improvements to the Water System infrastructure and operations to achieve these goals.

The City adopted a master plan for the Water System in 1999 (the “Water Master Plan”) to plan for acquisition, installation and construction of improvements to meet increasing standards for drinking water and to improve reliability of the delivery system. The City recently updated and verified the hydraulic model of the City’s water production and distribution system and used the updated demand estimates and system evaluations to develop a Water Focus Study. The Water Focus Study is a planning tool to update operational requirements and goals identified in the Water Master Plan. It identifies existing system deficiencies and required system improvements and uses this information to formulate a comprehensive capital improvement program (a “CIP”) to provide the highest quality water and most sustainable and reliable supplies and service to existing and future customers.

In accordance with State Water Code, the City adopted a Groundwater Management Plan for optimization and management of its groundwater supplies in December 2010. The City is also finalizing an Urban Water Management Plan (a “UWMP”) for adoption in 2011 in compliance with State Water Code requirements. The UWMP provides a long-term resource planning tool to ensure adequate water supplies are available to meet existing and future water demands.

The City is an active member of the Water Resources Association of Yolo County (the “WRA”) which focuses on regional planning and management of water resources. In 2007, the WRA prepared and submitted to the State Department of Water Resources an Integrated Regional Water Management Plan. In September 2009, the City of Woodland, City of Davis and UC Davis entered into a Joint Powers Agreement to pursue implementation of a project to bring high-quality surface water from the Sacramento River to supplement groundwater supplies for all three parties.

A City-wide balanced 10-year CIP consistent with departmental master plans, including the Water Master Plan, is re-evaluated annually by the City Council, together with a three year appropriations request.

Water Rate Study. The City contracted with HDR Engineering to complete a Water Rate Study (the “Rate Study”) in 2009. In accordance with the California state law, requiring that billing for water service be based on water consumption, the Water System used the results of the Rate Study to establish equitable rate schedules for both consumption-based and flat- rate water usage. The Rate Study included review of a 10-year CIP to ensure adequate future revenue to construct and maintain the Water System infrastructure. The Rate Study was finalized in late 2009 and new water rates were adopted by City Council November 3, 2009.

The City committed to providing six months of water use data or “sample billing” to newly-metered customers prior to implementation of consumption-based billing to give the newly-metered customers the opportunity to adjust their water usage patterns and/or address leaks which might affect water consumption.

Insurance on the Water System

In addition to the insurance required to be maintained on the Water Supply Project, the City also maintains insurance on the Water System with responsible insurers in such amounts and against such risks (including accident to or destruction of the Water System) as are usually covered in connection with systems similar to the Water System.

The City manages risk by participating in a 10-member public agency risk pool which is known as the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA). YCPARMIA was formed in 1979 to develop an effective risk management program to reduce the amount and frequency of losses by pooling the agencies' self-insurance losses and jointly purchasing excess insurance. A risk manager was hired to administer the YCPARMIA program. YCPARMIA provides workers' compensation insurance coverage up to the statutory limit set by the State per accident per employee, above the City's self insurance limit of \$1,000 per occurrence, and general and auto liability coverage of \$40,000,000, above the City's self insurance limit of \$1,000 per occurrence, boiler and machinery insurance up to \$100,000,000, above the City's deductible of \$1,000 per claim, and property damage insurance up to \$714,356,856, above the City's deductible of \$1,000 per other occurrence.

YCPARMIA is a joint exercise of powers agency governed by a board consisting of representatives from member public agencies. The board controls the operations of YCPARMIA, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board.

The City provides for the uninsured portion of the claims and judgments in the Self-Insurance Internal Service Fund. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portions of these claims.

Rate Setting, Billing and Collection Procedures

Users of the Water System who are connected to the City's Water System are billed separately for water service and sewer service, on a combined bill, by the City's Finance Department. The fee for either service may not be paid separately from the other. Users of the Water System who are not connected to the City's sewer system are billed for water service only.

Rate Setting Procedure. In accordance with California law, the City Council may, from time to time and at its discretion, fix, alter, change, amend or revise any user fees, connection charges and all other fees related to the Water System.

Billing Procedure. Commercial accounts are billed monthly and residential accounts are billed monthly for advance payment of utility service. Residential customers that have transitioned to consumption based billing are billed monthly for water consumption for the previous month. Bills are due and payable within 15 days of the billing date. Section 23C-2-6(f) of the City Code provides that in the event any bill for Water Service and Sewer service remains unpaid for 60 days after mailing, the account is deemed delinquent and service may be terminated within 10 days following the mailing of the notice of delinquency. Premises disconnected for the non-payment of Water Service or sewer service fees are not reconnected until all current and delinquent fees and penalties are paid in full. Enforcement effectively takes place at the time of the next billing cycle.

Rates, Fees and Charges

Water Revenues are derived from three sources: (i) monthly service charges and pretreatment charges imposed billed and collected by the City; (ii) Water Service installation charges; and (iii) other miscellaneous charges, including interest income.

Service Charges. Customers of the Water System are billed for monthly water service based on a user classification system. Service charges include the direct and indirect costs of operating, maintaining and repairing, and the capital replacement and improvement costs related to the Water System.

The City began installing water meters in approximately 5,000 residential properties in 2008. In accordance with State law, residences built after 1992 are required to be billed based upon on consumption in 2010; these properties are known as “Phase I” of meter installation in the City. Beginning March 2010, Phase I customers began receiving sample bills in addition to their flat rate bills. The sample bills illustrated the total utility bill that would be due under consumption rates. Beginning in December 2010, Phase I customers are billed based upon actual consumption other customers will remain on flat rate bills until their meters are installed and they receive six months of samples bills. Phase II, consisting of the installation of approximately 8,000 water meters to the remaining users of the Water System, commenced in 2009 and is expected to be completed in fall 2011. Following receipt of six months of sample consumption based bills by the Phase II customers, the City expects all accounts to be on consumption based by the end of Fiscal Year 2012-13.

Residential users that remain on flat rates are charged based upon the size of the residence. Metered commercial and industrial accounts are charged monthly rates based upon the size and type of the meter and are charged a volume charge per 100 cubic feet (CCF) (which is equivalent to 748 gallons) of water consumed per month. Non-metered commercial and industrial accounts (representing approximately 12% of the commercial and industrial accounts) are charged flat rates.

In November 2009, the City Council approved phased increases in Water System rates, which after July 1, 2012, will be adjusted annually for inflation, based on the construction cost index. The new metered rate is calculated based upon (i) the water service base rate (*i.e.* the share of water delivery costs allocated to the customer) and (ii) actual water use.

Development Fees. Development fees are one-time charges levied by the City on each unit of new construction to recover costs incurred by the Water System for providing capacity in the Water System required by new users. Providing this capacity extends to the Water Treatment Plant and distribution system pipelines and pumps.

Interest Income. The Water System receives additional income from interest income earned on funds available for use in operations and for application to capital projects.

Investment of Revenue

Investment of Water Revenues (except pension and retirement funds) are made in accordance with the City’s Investment Policy.

The investment of funds of the City, including those funds established under the Trust Indenture and held by the City, are made in accordance with the investment policy of the City, developed by the City Treasurer, and most recently approved by the City Council on May 19, 2009 (the “Investment Policy”) and Section 53600 *et seq.* of Government Code of the State of California (the “Code”). The Code also directs the City to present an annual investment policy for confirmation to the City Council. The Investment Policy is subject to revision at any time, and is reviewed periodically to ensure compliance with the stated objectives of safety, liquidity, yield and current laws and financial trends.

The Investment Policy sets forth the following primary objectives, in order of priority:

1. *Safety* - preservation of capital.
2. *Liquidity* - funds shall be invested only until date of anticipated need or for a lesser period.
3. *Yield* - generation of a favorable return on investment without compromise of the first two objectives.

Authorized Investments. The City is empowered by State law to invest in certain “eligible securities” as defined in the California Government Code Sections 53600 *et seq.* Authorized investments also include, in accordance with California Government Code Section 16429.1, investments in the State Local Agency Investment Fund (“LAIF”). ***The City does not enter into reverse repurchase agreements.*** Authorization for specific instruments within these general categories, include the following: U.S. Treasuries, Government Sponsored Corporations, Bankers Acceptances, Commercial Paper, Certificates of Deposit, Repurchase Agreements, Reverse Repurchase Agreements, Medium-term Corporate Notes/Bonds and Asset-Backed Securities.

Prohibited Investments. No investments will be authorized that have the possibility of returning a zero or negative yield if held to maturity. These will include inverse floaters, range notes, and interest only strips derived from a pool of mortgages. Other prohibited investments include any mortgage pass-through security or collateralized mortgage obligation, or other pay-through bond. Repurchase agreements executed with approved broker/dealers must be collateralized. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value.

Delegation of Authority and Reporting. Management responsibility for the investment program is delegated to the City Treasurer. The City Treasurer is responsible for establishing written procedures for the operation of the investment program consistent with the investment policy, all transactions undertaken, and establishing a system of controls to regulate the activities of subordinate officials.

The City Treasurer is required to prepare and submit to the City Manager and the City Council monthly investment reports. Such reports are to include a subsidiary ledger of the investment portfolio, detailing a review of transactions, security positions and performance indications. Such report will also include a statement denoting the degree of compliance with the investment policy and the City’s ability to meet its expenditure requirements for the next six months.

Investment Policy Adoption. The Investment Policy is approved annually by minute action of the City Council. The Investment Policy is reviewed annually by the City Council and any modifications are required to be approved by the City Council.

THE AUTHORITY

The Authority is a joint powers authority, organized pursuant to a Joint Exercise of Powers Agreement, dated as November 1, 1996 (the “JPA Agreement”), between the City and the Redevelopment Agency of the City of Woodland. The JPA Agreement was entered into pursuant to the California Government Code, commencing with Section 6500. The Authority is a separate entity constituting a public instrumentality of the State of California and was formed for the public purpose of assisting in financing and refinancing projects for the benefit of the City.

The Authority is governed by a five-member Board. The City Council constitutes the Board of the Authority. The Administrator and Secretary of the Authority are the City Manager and the City Clerk, the Treasurer/Controller of the Authority is the Finance Officer of the City. The Authority’s powers include, but are not limited to, the power to issue bonds and to sell such bonds to public or private purchasers at public or by negotiated sale. The Authority is entitled to exercise the powers common to its members and necessary to

accomplish the purposes for which it was formed. These powers include the power to make and enter into contracts; to employ agents and employees; to acquire, construct, manage, maintain and operate buildings, works or improvements; to acquire, hold or dispose of property within the City; and to incur debts, liabilities or obligations.

THE CITY

The City of Woodland (the “City”) is a general law city and the county seat of Yolo County (the “County”). It is located approximately 85 miles northeast of San Francisco and approximately 18 miles northwest of Sacramento at the intersection of Interstate 5 and State Route 113. The City has been the seat of government for the County since 1862 and is also the industrial and agricultural center of the County. The City encompasses approximately 14.5 square miles near the center of the California’s Central Valley. The City enjoys a mean temperature of 61.5 degrees and an annual average rainfall of 17.28 inches.

The City has a diversified economic base that has its origins in agriculture. However, due to the proximity of the City to major transportation arteries (Interstate 5 and State Route 113), and major waterways, the City has also become increasingly important as a manufacturing and distribution center of products including, food processing, plastics, farm machinery and mobile homes.

THE ISSUING AND PAYING AGENT

The Authority has appointed U.S. Bank National Association to serve as Issuing and Paying Agent for the Commercial Paper Notes pursuant to the terms and conditions of the Indenture and the Issuing and Paying Agency Agreement.

THE DEALER

The Authority has appointed Citigroup Global Markets Inc. as the exclusive dealer pursuant to the terms and conditions of the Dealer Agreement with respect to the offering and sale of the Commercial Paper Notes pursuant to the terms and conditions of the Dealer Agreement.

FINANCIAL ADVISOR

Del Rio Advisors, LLC, Modesto, California, has served as Financial Advisor to the City with respect to the sale of the Commercial Paper Notes. The Financial Advisor has assisted the City in the review of this Offering Memorandum and in other matters relating to the planning, structuring, execution and delivery of the Commercial Paper Notes. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Offering Memorandum. Due to its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisor will receive compensation from the City contingent upon the sale and delivery of the Commercial Paper Notes.

TAX MATTERS

In the opinion of Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming, among other things, the accuracy of certain representations and compliance with certain covenants, compliance with the certain covenants interest on the Commercial Paper Notes, when issued in accordance with the Indenture, is excludable from gross income for federal income tax purposes and is exempt from State of California personal income taxes. In the opinion of Bond Counsel, interest on the Commercial Paper Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX A.

The Internal Revenue Code of 1986 (the "Code") imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Commercial Paper Notes. The Authority and the City have made certain representations and have covenanted to comply with certain restrictions designed to assure that interest on the Commercial Paper Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Commercial Paper Notes being included in federal gross income, possibly from the date of issuance of the Commercial Paper Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Commercial Paper Notes may affect the tax status of interest on the Commercial Paper Notes.

Although Bond Counsel has rendered an opinion that interest on the Commercial Paper Notes is excludable from gross income for federal income tax purposes and is exempt from California personal income taxes, the ownership or disposition of the Commercial Paper Notes or the accrual or receipt of interest on the Commercial Paper Notes may otherwise affect the owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the owner's particular tax status or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Commercial Paper Notes to be subject, directly or indirectly, to federal or State income taxation or otherwise prevent owners of Commercial Paper Notes from realizing the full current benefit of the tax status of such interest. Prospective purchasers of Commercial Paper Notes should consult their own tax advisers regarding any pending or proposed federal or State tax legislation, regulation, or litigation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service ("IRS"), including but not limited to regulation, ruling, or selection of the Commercial Paper Notes for audit examination, or the course or result of any IRS examination of the Commercial Paper Notes, or obligations that present similar tax issues, will not affect the market price or liquidity of the Commercial Paper Notes.

CERTAIN LEGAL MATTERS

The proceedings in connection with the issuance of the Commercial Paper Notes are subject to the approval as to their legality by Kronick, Moskovitz, Tiedemann & Girard, a Professional Corporation, Sacramento, California, Bond Counsel. A copy of the proposed form of Bond Counsel opinion is contained in APPENDIX A to this Offering Memorandum. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Offering Memorandum. Certain legal matters will be passed upon for the Authority and the City by the City Attorney and by Lofton & Jennings, San Francisco, California, Disclosure

Counsel. Payment of the fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Commercial Paper Notes.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Commercial Paper Notes, Counsel to the Authority and the City Attorney will deliver opinions to the initial Underwriter at the time of original delivery of the Commercial Paper Notes each certify that there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of the City or the Authority threatened, against the City or the Authority in any material respect affecting the existence of the City or the Authority or the titles of their officers to their respective offices or seeking to prohibit, restrain or enjoin the sale or delivery of the Commercial Paper Notes, the execution and delivery of the Trust Indenture, the Installment Purchase Contract or the payment of CP Project Installment Payments or challenging, directly or indirectly, or the proceedings to lease the Leased Property from the Authority.

The Authority

No litigation is pending with service of process having been accomplished or, to the knowledge of the Counsel to the Authority, threatened, concerning the validity of the Trust Agreement, the Indenture, the Commercial Paper Notes, the CP Project or the Installment Purchase Contract, and the Counsel to the Authority will issue an opinion to that effect.

The City

No litigation is pending with service of process having been accomplished or, to the knowledge of the City Attorney, threatened, concerning the validity of the Commercial Paper Notes, the CP Project Installment Purchase Contract or the CP Project and the City Attorney will issue an opinion to that effect. The City Attorney is not aware of any litigation pending or threatened questioning the political existence of the City or contesting the City's ability to appropriate or make CP Project Installment Payments.

Various legal actions are pending against the City. The aggregate amount of the uninsured liabilities of the City which may result from all legal claims currently pending against it will not, in the opinion of the City, materially affect the City's finances or impair its ability to make CP Project Installment Payments under the CP Project Installment Purchase Contract.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the owners of the Commercial Paper Notes to provide annually certain financial information and operating data relating to the City, and to provide notices of the occurrence of certain specified events. The Annual Report will be delivered not later than seven months after the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2011 (the "Annual Report"). The Annual Report and the notices of specified events will be filed by the City through the Electronic Municipal Market Access site maintained by the Municipal Securities Rulemaking Board (the "MSRB"). These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be contained in the Annual Report and the notices of specified events is set forth in APPENDIX B—"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The City has not failed in the last five years to comply with any material respect with any prior undertaking under the Rule.

RATINGS

Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. ("S&P") has assigned its rating of "A-1" to the Commercial Paper Notes and Fitch Inc. ("Fitch") has assigned its rating of "F1" to the Commercial Paper Notes.

On March 3, 2011, S&P assigned an underlying rating of "AA-" to the Woodland Finance Authority Water Revenue Bonds, Series 2011. See "SOURCES OF REVENUES FOR PAYMENT OF THE COMMERCIAL PAPER NOTES NOTES—Outstanding Water System Obligations."

Each rating reflects only the view of the agency giving such rating and is not a recommendation to buy, sell or hold the Commercial Paper Notes. An explanation of the significance of the rating may be obtained from Standard & Poor's Ratings Services, 25 Broadway, New York, New York 10004, 212-208-8000 and Fitch Inc., One State Street Plaza, New York, New York 10004. Certain information was supplied by the Authority and the City to the rating agencies to be considered in evaluating the Commercial Paper Notes.

There is no assurance that any rating will continue for any given period of time or that any rating will not be reduced or withdrawn entirely by the rating agency, if in its judgment, circumstances so warrant. The Authority, the City and the Issuing and Paying Agent undertake no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the Commercial Paper Notes.

INFORMATION INCORPORATED BY REFERENCE

Pursuant to Rule 15c2-12 ("Rule 15c2-12") promulgated by the United States Securities and Exchange Commission (the "SEC"), the City entered into a written undertaking, for the benefit of the holders of the Series 2011 Bonds, to provide certain disclosure information from time to time. Such disclosure information consists of: (i) a report (an "Annual Filing") containing certain updated disclosure information to be filed not later than seven months after the end of the fiscal year of the City (which currently ends June 30) with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (the "MSRB") site; and (ii) notices (a "Specified Event Notice") of each occurrence of certain enumerated events, to be filed with the MSRB.

The Official Statement of the Authority dated February 15, 2011 with respect to \$18,815,000 principal amount of the Series 2011 Bonds, including a more complete description of the Water System, the Water System Finances, certain economic and demographic information for the City, and the Investment Policy of the City is available and incorporated herein by reference.

The Authority includes in this Offering Memorandum by this reference the following materials in their entirety: (i) as of any particular date, the then most recent official statement, offering memorandum or Annual Filing that has been filed by the Authority with the Repository (including any supplemental filing(s) with respect thereto), as such official statement, offering memorandum or Annual Filing is modified, superseded or supplemented by any applicable update information; and (ii) each Specified Event Notice filed by or on behalf of the Authority, except to the extent any such Specified Event Notice is superseded by a subsequent Specified Event Notice or a subsequent official statement, offering memorandum or Annual Filing. Upon the filing by or on behalf of the Authority with the MSRB of any official statement, offering memorandum or Annual Filing, such document (including any supplemental filing(s) with respect thereto), as modified, superseded or supplemented by any applicable update information, shall be included by reference herein in the stead of such prior document. All references in this Offering Memorandum to any official statement, offering memorandum or Annual Filing, including cross references to particular sections of such

document, shall, as of any particular time, refer to the official statement, offering memorandum or Annual Filing then most recently filed with the MSRB (including any supplemental filing(s) with respect thereto).

A copy of the Official Statement may be obtained or reviewed: from the MSRB, or from any other source or by contacting the Authority or the Dealer as provided below:

Woodland Finance Authority
300 First Street
Woodland, California 95695
Attention: Finance Officer
Email: Kimberly.mckinney@cityofwoodland.org
Phone: 530-661-5849

Citigroup Global Markets Inc.
390 Greenwich Street, 2nd Floor
New York, New York 10013
Attention: Short Term Tax Exempt Trading
Phone: 212-723-7082

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APPENDIX A

PROPOSED FORM OF NOTE COUNSEL OPINION

May 12, 2011

Members of the Board
Woodland Finance Authority
300 First Street
Woodland, California 95695

Re: Woodland Finance Authority
Water Revenue Commercial Paper Notes
(Final Opinion of Bond Counsel)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the authorization of the issuance of up to \$38,000,000 aggregate principal amount (at any time outstanding) of commercial paper notes by the Woodland Finance Authority (the "Authority") designated as its Water Revenue Commercial Paper Notes (the "Notes"). The Notes are authorized to be issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985 (Article 4, Chapter 5, Division 7, Title 1 of the California Government Code) and all laws of the State of California supplemental thereto and pursuant to the provisions of the Trust Indenture dated May 1, 2011 (the "Indenture"), which supplements the Trust Agreement dated February 1, 2011 (as so supplemented, the "Trust Agreement"), each between the Authority and U.S. Bank National Association, as trustee. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the representations of the Authority and the City contained in the Trust Agreement, the Installment Purchase Contract, and the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. The Authority has been duly created and is validly existing as a public agency of the State of California with full power and authority to enter into the Second Supplemental Installment Purchase Contract and the Indenture, to perform the other agreements on its part contained in the Trust Agreement, and to issue the Notes.

2. The Indenture has been duly executed and delivered by the Authority and is a valid and binding obligation of the Authority. The aggregate principal amount of Notes authorized to be issued under the Indenture does not exceed any limitation imposed by law or by the Trust Agreement.

3. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Notes, of the Revenues, as such term is defined in the Trust Agreement, and all other amounts held in any fund or account (other than the Rebate Fund) established pursuant to the Trust Agreement, to the extent set forth in the Trust Agreement and subject to the provisions of the Trust Agreement that permit the Authority to apply the Revenues and other amounts for the purposes and on the terms and conditions set forth in the Trust Agreement. The Trust Agreement also creates a valid assignment to the Trustee, for the benefit of the holders from time to time of the Notes, of the right, title and interest of the Authority in the Installment Purchase Contract, to the extent more particularly described in the Trust Agreement.

4. The Notes have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the Revenues and other funds provided therefor in the Trust Agreement.

5. The Notes are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge and assignment. Neither the faith and credit nor the taxing power of the City, the State of California, or any subordinate entity or political subdivision of either is pledged to the payment of the principal of or interest on the Notes. The Authority has no taxing power. The Notes are not a debt of the City, the State of California, or any other political subdivision of the State of California, none of which is liable for the payment thereof.

6. The Second Supplemental Installment Purchase Contract has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority and the City.

7. The obligation of the City to make Installment Payments pursuant to the Installment Purchase Contract is a limited obligation of the City payable solely out of the Net Water Revenues. The Installment Purchase Agreement does not constitute a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction and does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

8. 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; however, such interest is taken into account in determining adjusted current 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 Authority and the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Notes in order that interest on the Notes be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the City have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes. We express no opinion regarding other federal tax consequences, arising with respect to the accrual or receipt of interest on, or the ownership or disposition of the Notes.

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

The opinions set forth above are further qualified as follows:

a. The rights of the holders of the Notes and the enforceability of the Notes, the Installment Purchase Contract, and the Trust Agreement are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, and other similar laws affecting creditors' rights generally, the application of general principles of equity, including without limitation concepts of materiality, reasonableness, good faith, and fair dealing, the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and the limitations on legal remedies imposed on actions against public agencies in the State of California.

b. We express no opinion as to the enforceability under certain circumstances of contractual provisions respecting various summary remedies without notice or opportunity for hearing or correction, especially if their operation would work a substantial forfeiture or impose a substantial penalty upon the burdened party.

c. We express no opinion as to the effect or availability of any specific remedy provided for in the Trust Agreement or the Installment Purchase Contract under particular circumstances, except that we believe such remedies are, in general, sufficient for the practical realization of the rights intended thereby.

d. We express no opinion as to the enforceability of any indemnification, contribution, choice of law, choice of forum, or waiver provisions contained in the Trust Agreement or the Installment Purchase Contract.

e. We undertake no responsibility for the accuracy, completeness, or fairness of any offering materials relating to the Notes and express no opinion herein with respect thereto.

f. The opinions 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 opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine or to inform any person whether any such actions are taken or omitted or events do occur. We disclaim any obligation to update this opinion for events occurring after the date hereof.

Very truly yours,

KRONICK, MOSKOVITZ, TIEDEMANN & GIRARD
A Professional Corporation

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APPENDIX B

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) is executed and delivered by the City of Woodland (the “City”) in connection with the issuance by the Woodland Finance Authority of Not to Exceed \$38,000,000 aggregate principal amount of Woodland Finance Authority Water Revenue Commercial Paper Notes (the “Notes”) pursuant to a Trust Agreement dated February 1, 2011 (the “Trust Agreement”), as supplemented by a Trust Indenture dated May 1, 2011 (the “Trust Indenture” and together with the Trust Agreement, the “Indenture”) each between the Authority and U.S. Bank National Association, as trustee (the “Trustee”) and an Issuing and Paying Agency Agreement dated May 1, 2011 (the “Issuing and Paying Agency Agreement”) between the Authority and U.S. Bank National Association, as Issuing and Paying Agent (the “Issuing and Paying Agent”), made by the City, and in connection therewith the City agrees and covenants as follows:

SECTION 1. Purpose of the Continuing Disclosure Certificate. The Continuing Disclosure Certificate is being executed and delivered by the City for the benefit of the Beneficial Owners of the Notes and in order to assist the Participating Dealer in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Continuing Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Filing” shall mean any Annual Filing provided by the City pursuant to, and as described in, Sections 3 and 4 of this Continuing Disclosure Certificate.

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

“Disclosure Representative” shall mean the Finance Officer of the City or such other official as may be designated in writing to the Dissemination Agent (if other than the City) from time to time.

“Dissemination Agent” shall mean U. S. Bank Trust National Association, acting in its capacity as Dissemination Agent under this Continuing Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

“Filing Date” shall mean the last day of the seventh month following the end of each Fiscal Year of the City (or the next succeeding business day if such day is not a business day), commencing with the Fiscal Year ending June 30, 2011.

“MSRB” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Obligated Person” shall mean any person, including the issuer of municipal securities (such as the Notes), who is generally committed by contract or other arrangement to support payment of all or part of the

obligations on the municipal securities being sold in an offering document (such as the Offering Memorandum). The City is the only Obligated Person for the Notes.

“Offering Memorandum” means the Offering Memorandum dated May 11, 2011 relating to the Notes.

“Participating Dealer” shall mean any of the original dealer of the Notes required to comply with the Rule in connection with offering of the Notes.

“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.

“Specified Events” shall mean any of the events listed in Section 5(a) or Section 4(b) of this Continuing Disclosure Certificate and any other event legally required to be reported pursuant to the Rule.

“State” shall mean the State of California.

SECTION 3. Provision of Annual Filing.

(a) The City shall provide (or cause to be provided), not later than the Filing date to the MSRB an Annual Filing that is consistent with the requirements of Section 4 of this Continuing Disclosure Certificate. The Annual Filing shall be submitted in electronic format, accompanied by such identifying information as prescribed by the MSRB, and may be submitted as a single document or as separate documents comprising a package, and may cross-reference any other information (as provided in Section 4 of this Continuing Disclosure Certificate. If the fiscal year of the City changes, it shall give notice of such change in the same manner as for a Specified Event under this Continuing Disclosure Certificate.

(b) Not later than fifteen (15) Business Days prior to the Filing Date, the City shall provide the Annual Filing to the Dissemination Agent (if other than the City). The City shall provide, or cause the preparer of the Annual Filing to provide, a written certificate with each Annual Filing furnished to the Dissemination Agent to the effect that such Annual Filing constitutes the Annual Filing required to be furnished to it hereunder. The Dissemination Agent may conclusively rely upon such certification and shall have no duty or obligation to review such Annual Filing.

(c) If the City is unable to provide the Annual Filing to the Dissemination Agent by the date specified herein, the City shall send a notice to the MSRB.

(d) The Dissemination Agent shall:

1. If not previously filed by the City, send a notice to the MSRB if the City is unable to provide to the Annual Filing to the MSRB by the date required in subsection (a).

2. File a report with the City certifying that the Annual Filing has been provided pursuant to this Continuing Disclosure Certificate, stating the date it was provided.

SECTION 4. Content of Annual Filings. The City’s Annual Filing shall contain or incorporate by reference the following:

(a) The adopted budget of the Water Enterprise System of the City for the then current fiscal year, the audited financial statements of the Water Enterprise System of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If such City’s

audited financial statements are not available by the time the Annual Filing is required to be filed pursuant to Section 3(a), the Annual Filing shall contain unaudited financial statements in a format similar to the audited financial statements and the audited financial statements shall be filed in the same manner as the Annual Filing when they become available; and

(b) a description of any bonds or commercial paper notes payable from Water System Revenues and outstanding as of the date of such report;

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been made available to the public on the MSRB website. The City shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Filings may be modified from time to time as determined in the judgment of the City to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the City to reflect changes in the business, structure, operations, legal form of the City or any mergers, consolidations, acquisitions or dispositions made by or affecting the City; provided that any such modifications shall comply with the requirements of the Rule.

SECTION 5. Reporting of Specified Events.

(a) The City shall give, or cause to be given, notice to the MSRB of the occurrence of any of the following events with respect to the Notes not later than ten (10) business days after the occurrence of the event:

- (i) Principal and interest payment delinquencies;
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) Substitution of credit or liquidity providers, or their failure to perform;
- (v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (vi) Tender offers;
- (vii) Defeasances;
- (viii) Rating changes; or
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person. This event is considered to occur upon the happening of any of the following: 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.

(b) The City shall give, or cause to be given, notice to the MSRB of the occurrence of any of the following events described in this Section 5(b) with respect to the Notes, if material, not later than ten (10) business days after the occurrence of the event:

- (i) Unless described in Section 5(a)(v) above, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Notes or other material events affecting the tax status of the Notes;
- (ii) Modifications to rights of the holders of the Notes;
- (iii) Optional, unscheduled or contingent calls of the Notes;
- (iv) Release, substitution, or sale of property securing repayment of the Notes;
- (v) Non-payment related defaults;
- (vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
- (vii) Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The City acknowledges that it is required to make a determination whether a Specified Event in Section 5(b) above is material under applicable federal securities laws in order to determine whether a filing with the MSRB is required under Section 5(b). Notwithstanding the foregoing, notice of Specified Events described in Section 5(a)(vii) and Section 5(b)(iii) above need not be given any earlier than the notice (if any) of the underlying event is given to Holders of affected Notes pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Continuing Disclosure Certificate shall terminate upon the date of legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, the City shall give notice of such termination in the same manner as that for giving notice of the occurrence of a Specified Event under Section 5(a).

SECTION 7. 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 Continuing Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least thirty (30) days notice in writing to the City. The initial Dissemination Agent shall be the City.

SECTION 8. Amendment; Waiver. (a) Notwithstanding any provision hereof, the City may amend or this Continuing Disclosure Certificate (provided no amendment increasing or affecting the obligations or duties of the Dissemination Agent, if any, shall be made without the consent of the dissemination Agent, and any provision of this Continuing Disclosure Certificate may be waived, is such amendment or waiver is supported by an opinion of counsel expert in the federal securities laws designated by the city, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings contained in this

Continuing Disclosure Certificate to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

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

SECTION 9. Additional Information. Nothing contained herein shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth herein or any other means of communication, or including any other information in any Annual Filing or notice of occurrence of a Specified Event, in addition to that which is required hereby. If the City chooses at any time to include any information in any Annual Filing or notice of occurrence of a Specified Event in addition to that which is specifically required hereby, the City shall have no obligation hereunder to update such information or include it in any future Annual Filing or notice of occurrence of a Specified Event.

SECTION 10. Default. This Continuing Disclosure Certificate shall be solely for the benefit of the holders and beneficial owners from time to time of the Notes. The exclusive remedy for any failure of the City to comply with any provision hereof shall be limited, to the extent permitted by law, to a right of the holders and the beneficial owners to institute and maintain, or to cause to be instituted and maintained, such proceedings as may be authorized at law or in equity to obtain the specific performance by the City of its obligations under this Continuing Disclosure Certificate in a court of competent jurisdiction in Yolo County, California; provided that any holder or beneficial owner seeking to require the City to comply with this Continuing Disclosure Certificate shall first provide at least thirty (30) days prior written notice to the City of the failure of the City, giving reasonable detail of such failure, following which notice the City shall have thirty (30) days to comply. A default under this Continuing Disclosure Certificate shall not be deemed an "Event of Default" under the Indenture with respect to the Notes, and the sole remedy under this Continuing Disclosure Certificate in the event of any failure of the City to comply with the agreements and covenants contained herein shall be an action to compel performance. No person or entity shall be entitled to recover monetary damages under this Continuing Disclosure Certificate.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, 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 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 all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 12. Beneficiaries. This Continuing Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriters, and the holders and beneficial owners from time to of the Notes, and shall create no rights in any other person or entity.

SECTION 13. Record Keeping. The City shall maintain records of Annual Filings and notices of Specified Events, including the content of such disclosure, the name of the entities with which such disclosure was filed and the date of filing of such disclosure.

SECTION 14. Governing Law. This Continuing Disclosure Certificate shall be governed by the laws of the State

DATE: May 12, 2011

CITY OF WOODLAND

By: _____
Kimberly McKinney
Finance Officer

EXHIBIT A

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Woodland

Name of Note Issue: Woodland Finance Authority Water Revenue Commercial Paper Notes

Date of Issuance: May 12, 2011

NOTICE IS HEREBY GIVEN that the City of Woodland has not provided an Annual Report with respect to the above-named Notes as required by the Continuing Disclosure Certificate executed on the date of issuance of the Notes by the City, and the City anticipates that the Annual Report will be filed by _____.

Dated: [Date of Notice]

CITY OF WOODLAND

By: _____
Finance Officer

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APPENDIX C

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix C concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Commercial Paper Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Commercial Paper Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Commercial Paper Notes, 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.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Commercial Paper Notes. The Commercial Paper Notes 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 Commercial Paper Note certificate will be issued for each maturity of the Commercial Paper Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest 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 users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. 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 and www.dtc.org.

Purchases of the Commercial Paper Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Commercial Paper Notes on DTC’s records. The ownership interest of each actual purchaser of each Commercial Paper Note (“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 Commercial Paper Notes 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 the Commercial Paper Notes, except in the event that use of the book-entry system for the Commercial Paper Notes is discontinued.

To facilitate subsequent transfers, all Commercial Paper Notes 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 the Commercial Paper Notes 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 Commercial Paper Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Commercial Paper Notes 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.

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 the Commercial Paper Notes may wish to take certain steps to augment the transmission to them of notices of specified events with respect to the Commercial Paper Notes, such as redemptions, tenders, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of the Commercial Paper Notes may wish to ascertain that the nominee holding the Commercial Paper Notes 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.

Redemption notices shall be sent to DTC, if less than all of the Commercial Paper Notes within a maturity are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in each issue to be redeemed.

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

Payments of principal of, premium, if any, and interest on the Commercial Paper Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Issuing and 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 Issuing and Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Commercial Paper Notes to Cede (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Issuing and Paying 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.

DTC may discontinue providing its services as depository with respect to the Commercial Paper Notes at any time by giving reasonable notice to the City or the Issuing and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Commercial Paper Note certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Commercial Paper Note certificates will be printed and delivered.

The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and neither the City nor the Issuing and Paying Agent take any responsibility for the accuracy thereof.

NEITHER THE CITY NOR THE ISSUING AND PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF NOTES FOR REDEMPTION.

Neither the City nor the Issuing and Paying Agent can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Commercial Paper Notes paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Offering Memorandum.

In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

The City and the Issuing and Paying Agent cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Commercial Paper Notes paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Offering Memorandum. Neither the City nor the Issuing and Paying Agent are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Commercial Paper Notes or an error or delay relating thereto.

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