OROVILLE CITY COUNCIL
Council Chambers
1735 Montgomery Street
Oroville, CA. 95965

November 6, 2018
REGULAR MEETING
CLOSED SESSION 4:30 P.M.
OPEN SESSION 5:00 P.M.
AGENDA

CALL TO ORDER

ROLL CALL

Council Members: Jack Berry, Marlene Del Rosario, Linda Draper, Art Hatley, Scott Thomson, Vice Mayor Janet Goodson, Mayor Linda Dahlmeier

CONVENE TO CLOSED SESSION

The Council will hold a Closed Session on the following:

1. Pursuant to Government Code section 54957.6, the Council will meet with Labor Negotiators and City Attorney to discuss labor negotiations for the following represented groups: Oroville Firefighters' Association, Oroville Police Officers Association (Sworn and Non-Sworn), Oroville Public Safety Mid-Managers Association, Oroville Management and Confidential Association, and Oroville City Employees Association.

2. Pursuant to Government Code section 54956.9(d)(2), the Council will meet with the Interim City Administrator and City Attorney regarding one (1) potential exposure to litigation

RECONVENE TO OPEN SESSION (5:00 p.m.)

Announcement from Closed Session

PLEDGE OF ALLEGIANCE

ADOPT AGENDA

PRESENTATIONS/PROCLAMATIONS/OATH OF OFFICE

- Homeless Youth Proclamation

REQUESTS TO ADDRESS COUNCIL

If you would like to address the Council at this meeting, you are requested to complete the blue speaker request form (located on the wall by the agendas) and hand it to the City Clerk, who is seated on the right of the Council Chamber. The form assists the Clerk with minute taking and assists the Mayor or presiding chair in conducting an orderly meeting. Providing personal information on the form is voluntary. For scheduled agenda items, please submit the form prior to the conclusion of the staff presentation for that item. Council has established time limitations of three (3) minutes per speaker on all items and an overall time limit of thirty minutes for non-agenda items. If more than 10 speaker cards are submitted for non-agenda items, the time limitation would be reduced to two minutes per speaker. If more than 15 speaker cards are submitted for non-agenda items, the first 15 speakers will be randomly selected to speak at the beginning of the meeting, with the remaining speakers given an opportunity at the end. **(California Government Code §54954.3(b))**. Pursuant to Government Code Section 54954.2, the Council is prohibited from taking action except for a brief response from the Council or staff to statements or questions relating to a non-agenda item.

PUBLIC COMMUNICATION - HEARING OF NON-AGENDA ITEMS – This is the time to address the Council about any item not listed on the agenda. If you wish to address the Council on an item listed on the agenda, please follow the directions listed above.

CONSENT CALENDAR - AGENDA ITEMS 1-8: Consent calendar items are adopted in one action by the Council. Items that are removed will be discussed and voted on immediately after adoption of consent calendar items.

1. **MINUTES**

   Approve the October 16, 2018 City Council Meeting Minutes.

2. **DONATION OF FIVE IVORY PIECES TO THE CHINESE TEMPLE**

   Approve the Parks Commission recommendation and accept the donation of five ivory pieces for the Chinese Temple

3. **AUTHORIZATION OF GHD TO ASSUME OMNI-MEANS, LTD CONTRACT**

   Approve the contract amendments and sign assumption of contracts request letter.

4. **SUPPLEMENTAL BENEFIT FUND GRANT APPLICATIONS FOR THE CITY OF OROVILLE**

   Notification to Council of submission of request for Supplemental Benefit Funding for two projects.

5. **FORECLOSURE OF 1730 VEATCH STREET AND 119 MORNINGSTAR AVE**

   Adopt Resolution No. 8753 - A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR AND/OR CITY ADMINISTRATOR TO EXECUTE ALL DOCUMENTS AND ANY AMENDMENTS THERETO NECESSARY TO INITIATE AND COMPLETE FORECLOSURE PROCEEDINGS ON REAL PROPERTIES LOCATED AT 1730 VEATCH ST, OROVILLE (APN 012-136-003) AND 119 MORNINGSTAR AVE, OROVILLE (APN 031-340-047)

6. CONFLICT OF INTEREST CODE

Adopt Resolution No. 8754 – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OROVILLE, CALIFORNIA, RATIFYING THE CONFLICT OF INTEREST CODE FOR THE CITY OF OROVILLE.

7. RETIREMENT OF POLICE CANINE AND PURCHASE OF DRUG DETECTION AND PATROL CANINES

Accept community donations for purchase of canine and training, and

Authorize use of donation for the purchase and training of Frankie, and

Authorize Sammy to retire and be sold to handler, and

Authorize purchase and training of Ozzy

8. SIDE LETTER TO THE MOU BETWEEN THE CITY OF OROVILLE MID MANAGEMENT AND CONFIDENTIAL ASSOCIATION

Adopt Resolution No. 8755 - A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE A SIDE LETTER TO THE MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF OROVILLE AND THE OROVILLE MIDMANGEMENT AND CONFIDENTIAL ASSOCIATION (Agreement No. 3083-6)

REGULAR BUSINESS - Action Calendar

9. COUNCIL AGENDA WORDING

The Council may amend the Council agenda wording under the “Request to Address Council” heading

RECOMMENDATION

Provide staff direction

10. S.T.A.G.E AGREEMENT FOR ACQUISITION AND OWNERSHIP OF THE STATE THEATRE

Council may discuss funding the State Theatre Arts Guild (STAGE) for establishing a ten-year plan to take ownership of the State Theatre.

RECOMMENDATION

Provide staff direction

PUBLIC HEARINGS

The Public Hearing Procedure is as follows:

- Mayor or Chairperson opens the public hearing.
- Staff presents and answers questions from Council
- Hearing is opened for public comment limited to three (3) minutes per speaker. In the event of more than ten (10) speakers, time will be limited to two (2) minutes. Under Government Code 54954.3, the time for each presentation may be limited.
- Speakers are requested to provide a speaker card to the City Clerk
- Public comment session is closed
- Council debate and action

11. APPROVE THE NEGATIVE MITIGATED DECLARATION FOR THE OROVILLE HOSPITAL EXPANSION

The Council may consider approving the Mitigated Negative Declaration for the Oroville Hospital Expansion Project.

RECOMMENDATION

Adopt Resolution No. 8756 - A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE APPROVAL OF THE NEGATIVE MITIGATED DECLARATION FOR THE OROVILLE HOSPITAL EXPANSION PROJECT

12. AUTHORIZE THE ISSUANCE OF BONDS FOR OROVILLE HOSPITAL (7:00 p.m.)

The Council will consider the issuance of revenue bonds for Oroville Hospital

RECOMMENDATION

Adopt Resolution No.8757 – RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OROVILLE AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $285,000,000 TO FINANCE AND REFINANCE THE ACQUISITION, CONSTRUCTION, IMPROVEMENT, RENOVATION AND/OR EQUIPPING OF HEALTH CARE FACILITIES OWNED AND/OR OPERATED BY OROVILLE HOSPITAL AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

Adopt Resolution No. 8758 – RESOLUTION, REQUIRED BY THE SECTION 147(f) OF THE INTERNAL REVENUE CODE, APPROVING ISSUANCE BY THE CITY OF OROVILLE OF REVENUE BONDS FOR THE BENEFIT OF OROVILLE HOSPITAL IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $285,000,000

COUNCIL ANNOUNCEMENTS/DISCUSSIONS/FUTURE AGENDA ITEMS

ADMINISTRATION REPORTS

- Public Safety Report

CORRESPONDENCE

- Resignation Letter from Commissioner McDavitt

ADJOURN THE MEETING

The meeting will be adjourned. A regular meeting of the Oroville City Council will be held on Tuesday, November 20, 2018 at 5:30 p.m.

Accommodating Those Individuals with Special Needs – In compliance with the Americans with Disabilities Act, the City of Oroville encourages those with disabilities to participate fully in the public meeting process. If you have a special need in order to allow you to attend or participate in our public meetings, please contact the City Clerk at (530) 538-2535, well in advance of the regular meeting you wish to attend, so that we may make every reasonable effort to accommodate you. Documents distributed for public session items, less than 72 hours prior to meeting, are available for public inspection at City Hall, 1735 Montgomery Street, Oroville, California.

Recordings - All meetings are recorded and broadcast live on cityoforoville.org and YouTube.

OROVILLE CITY COUNCIL

Council Chambers
1735 Montgomery Street
Oroville, CA. 95965

October 16, 2018
MEETING MINUTES

This meeting was recorded and may be viewed at cityoforoville.org or on YouTube.

Agenda was posted on October 11, 2018 at 12:52pm. An amended agenda was posted on October 13, 2018 at 10:36am. A 2nd amended agenda was posted on October 15, 2018 at 3:23pm to clarify staff recommendation on an item.

CALL TO ORDER – Linda Dahlmeier at 5:31pm

ROLL CALL

PRESENT: Jack Berry, Marlene Del Rosario, Linda Draper, Art Hatley, Scott Thomson, Vice Mayor Janet Goodson, Mayor Linda Dahlmeier

ABSENT: None

STAFF: Assistant City Administrator/Chief of Public Safety Bill LaGrone, Interim City Clerk Joanna Gutierrez, Assistant City Clerk Jackie Glover, Finance Director Ruth Wright, Management Analyst III Amy Bergstrand, City Engineer Mike Massaro, Airport Manager Rick Farley, Chief Building Official Gary Layman, Treasurer Karolyn Fairbanks.

CONVENED TO CLOSED SESSION

The council convened to closed session to discuss and provide direction on the following items:

1. Pursuant to Government Code section 54957.6, the Council will meet with Labor Negotiators and City Attorney to discuss labor negotiations for the following represented groups: Oroville Firefighters' Association, Oroville Police Officers Association (Sworn and Non-Sworn), Oroville Public Safety Mid-Managers Association, Oroville Management and Confidential Association, and Oroville City Employees Association.

2. Pursuant to Government Code Section 54957(b), the Council will meet with Interim City Administrator, City Attorney and Personnel Officer, to evaluate the following positions: City Attorney

3. Pursuant to Government Code section 54956.9(d)(2), the Council will meet with the Interim City Administrator and City Attorney regarding one (1) potential exposure to litigation and one (1) case of litigation.

RECONVENED TO OPEN SESSION AT 6:04 PM BY MAYOR DAHLMEIER

Mayor Dahlmeier announced that direction was given; no action was taken in closed session.

PLEDGE OF ALLEGIANCE – Led by Mayor Dahlmeier

ADOPT AGENDA

PRESENTATIONS/PROCLAMATIONS/OATH OF OFFICE

- Mayor Dahlmeier presented a Welcome to Oroville – New Business Certificate to Smart & Final Stores LLC. Strive Dance & Performing Arts was unable to attend.
- Mayor Dahlmeier presented a Proclamation for Domestic Violence Awareness Month to representatives of Catalyst.
- Mayor Dahlmeier presented a Proclamation for Breast Cancer Awareness Month to representatives of Delta Epson Sorority.
- The Council received a presentation by John Miller-George at the request of Mayor Dahlmeier on CPU funding sources. The Mayor directed Council Member Thomson and City Attorney Huber to work with Mr. Miller-George.
- The council received a presentation by Don Fultz at the request of Council Members Berry and Del Rosario on concerns about the Oroville Dam and DWR.

REQUESTS TO ADDRESS COUNCIL

The following individuals addressed the council on agenda items:

- Bobby O'Reiley Items 5 & 7
- Bill Speer – Adopt Agenda, Item 5 & 7
- Mike Ramsey – Item 5 & 7
- Brian Flicker – Item 7
- Fred Spenger – Item 7

PUBLIC COMMUNICATION - HEARING OF NON-AGENDA ITEMS –

The following individuals addressed the council on non-agenda items:

- John Miller-George
- Bill Speer
- Bobby O'Reiley
- Cheri Bunker

CONSENT CALENDAR - AGENDA ITEMS 1-3:

Motion by Goodson and second by Draper to approve agenda items 1-3 of the consent calendar. Motion passed unanimously.

AYES: Council Member Draper, Del Rosario, Berry, Thomson, Hatley, Vice Mayor Goodson, Mayor Dahlmeier
NOES: None
ABSTAIN: None
ABSENT None

1. **MINUTES**

   Approved the October 2, 2018 City Council Meeting Minutes.

2. PROFESSIONAL SERVICES AGREEMENT WITH R.L HASTINGS & ASSOCIATES

Adopted Resolution No. 8752- A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE A PROFESSIONAL SERVICES AGREEMENT WITH R. L. HASTINGS & ASSOCIATES, LLC, IN THE AMOUNT OF $31,900, TO PREPARE THE ANNUAL LONG-TERM MONITORING REPORT FOR HOME MULTI-FAMILY RENTAL HOUSING PROJECTS, FOR THREE (3) YEARS. - (Agreement No. 3237-1).

3. ACCEPT CDBG GRANT AND ESTABLISH BUDGET

Accepted the 2017 Community Development Block Grant Allocation, Agreement No. 17-CDBG-12014, in the amount of $1,500,000; and approved Budget Adjustment indicated in the fiscal impact of this Staff Report, dated October 16, 2018

PUBLIC HEARINGS – None

REGULAR BUSINESS - Action Calendar

4. MANHOLE RAISING PROJECT ON HWY 162

The council provided direction to the Contract City Engineer to send the project out to bid.

5. RENTAL OF THE ATC BUILDING

The council provided staff direction to speak with the Sheriff and to come back at a future date with updated information.

6. LOWER WYANDOTTE ROAD CULVERT REHABILITATION PROJECT

The council provided direction to the Contract City Engineer to bring back more information

7. DISCLOSURE OF POTENTIAL INADVERTENT BROWN ACT VIOLATION

The council disclosed that five council members simultaneous appeared at the Butte County Clerk-Recorder's Office to check on potential voter fraud and may have inadvertently violated the brown act.

COUNCIL ANNOUNCEMENTS/DISCUSSIONS/FUTURE AGENDA ITEMS

- Thomson – Attended the Hmong New year
- Berry – Attended the Hmong New Year
- Mayor Dahlmeier – Attended the Hmong New Year
- Del Rosario – Delivered a check to Haven of Hope on Wheels
- Draper – October 9th- Attended a Heap Ad Hoc Meeting, October 11th – Attended a Loan Advisory Committee Meeting, October 15th – Attended a Continuum of Care Meeting

ADMINISTRATION REPORTS

None

CORRESPONDENCE

None

ADJOURN THE MEETING

The meeting was adjourned at 8:50 by Mayor Dahlmeier. A regular meeting of the Oroville City Council will be held on Tuesday, November 6, 2018 at 5:30 p.m.

Approved By:

_____
Linda L. Dahlmeier

Attested By:

_____
Jackie Glover, Assistant City Clerk

OROVILLE CITY COUNCIL
STAFF REPORT

TO: **MAYOR DAHLMEIER AND COUNCIL MEMBERS**

FROM: **BILL LAGRONE, ASSISTANT CITY ADMINISTRATOR**

RE: **DONATION OF FIVE IVORY PIECES TO THE CHINESE TEMPLE**

DATE: **NOVEMBER 06, 2018**

SUMMARY

The Council will consider the recommendation of the Parks Commission to accept a donation of five ivory pieces for the Chinese temple.

DISCUSSION

On September 2, 2018 Terri Olsen brought in 5 ivory pieces to the Chinese Temple as a donation to the museum valued at $1900 (nineteen hundred dollars). The docents accepted the items and forwarded them to the Parks Commission review. The Parks Commission recommended forwarding the items to Council for final approval unanimously on October 9, 2018.

1. One Carved Ivory Immortal carrying persimmon
2. Four Carved Ivory Buddha pieces

FISCAL IMPACT

None

RECOMMENDATION

Approve the Parks Commission recommendation and accept the donation of five ivory pieces for the Chinese Temple

ATTACHMENTS

Museum Receipt
Photos

CITY OF OROVILLE Museums
DEPARTMENT OF PARKS AND TREES
TEMPORARY RECEIPT

Accession Number: _____

The following object(s) are submitted to the City of Oroville Parks Commission for consideration of donation to the collection of Chinese Temple. Evaluation will be made with consideration of the relevance of the object(s) to the Scope of Collections policy statement and acquisitions criteria of Chinese Temple. The Parks Commission cannot guarantee that any objects by donation will be displayed of exhibited in the museum. No employee of the City of Oroville can undertake to appraise or attach a value to any object.

Received from: Terrie Olsen Phone: [redacted]

Address: PARADISE, CA.

Description of Item(s) (continue on back):

5 pieces of Ivory

A. 12" tall carved ivory immortle carrying persimmon & stork on teak stand

B. Carved Ivory Buddha 1" tall carry a pot + stand

C. Carved Ivory Buddha - 1 1/2" Tall on stand carrying bell

D. carved Ivory Buddha - 2 1/2" tall on stand holding flower

over →

It is understood that the above object(s) are on temporary loan to the Oroville Parks Commission for purposes of evaluation. In the event that the Commission does not accept this object(s) the object(s) must be removed from the Museum within 30 days of notification. Any object not removed by this deadline shall automatically become the property of the City of Oroville and shall be subject to disposal.

Final acceptance or rejection of this gift will be made at the next meeting of the Oroville Parks Commission, on late October

The Museum shall exercise the same care with respect to the object(s) covered by this receipt as it does with respect to its own property of similar kind or nature, **however**, object(s) left for consideration to the collection are left at your own risk.

The object(s) will be returned to the donor/authorized agent, upon surrender and signature of this receipt. If object(s) are not accepted into the collection of the Museum, do you want the object(s) returned?

☐ **YES**, return the object(s) ☒ **NO**, do not return the object(s). Disposition to be appropriate.

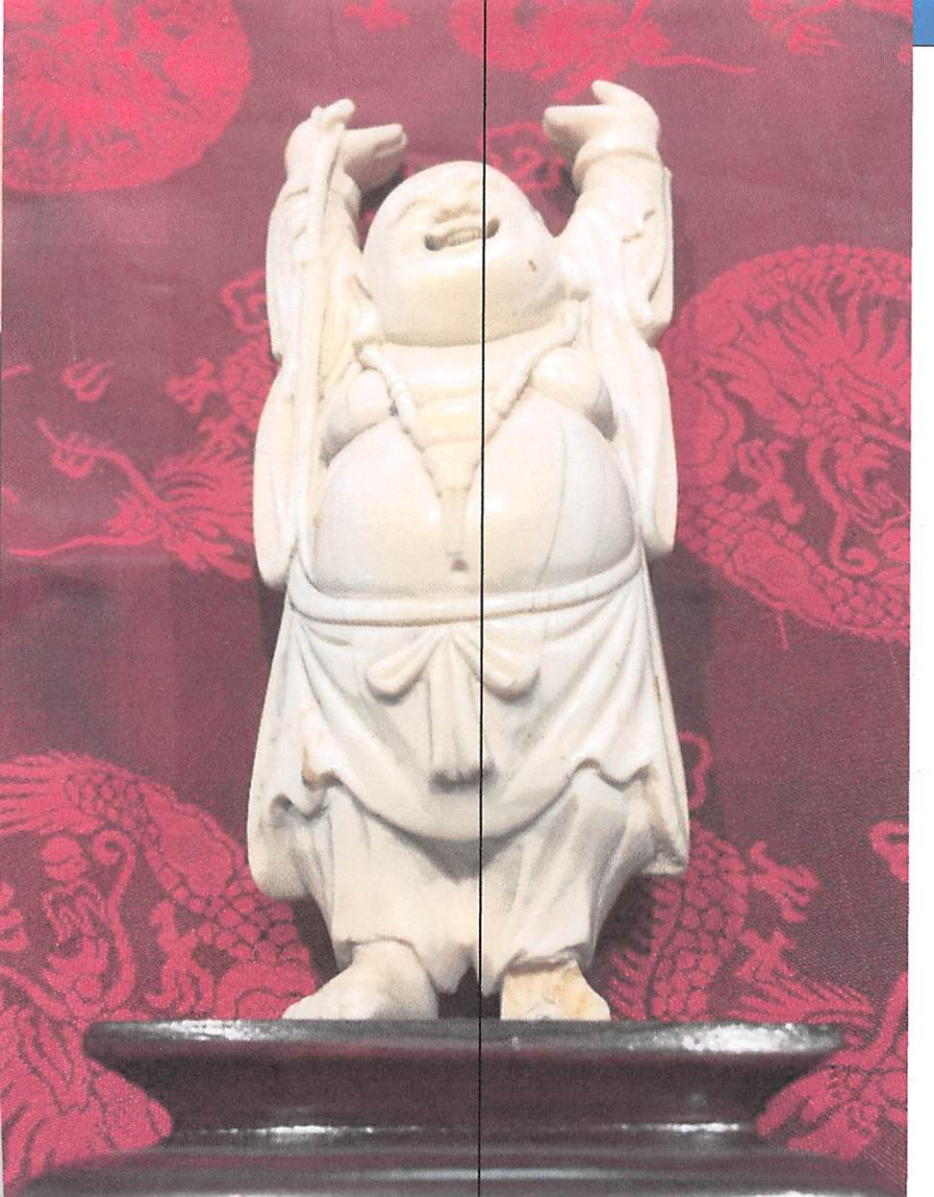
I have read and agreed to the conditions stated:

Donor: [redacted] Date: 9-2-18

Received b[redacted] Date: 9-2-18

appraised amount

e. Carved Ivory HoTei - lose of one foot - 7" tall - arms up showing Happiness.



OROVILLE CITY COUNCIL
STAFF REPORT

TO: **MAYOR AND CITY COUNCIL MEMBERS**

FROM: **MIKE MASSARO, CONTRACT CITY ENGINEER**
PUBLIC WORKS DEPARTMENT

RE: **Design Contractor Name Change – Contract Amendment/Reassignment**

DATE: **November 6, 2018**

SUMMARY

The Council may consider approving an amendment to two existing contracts with Omni-Means, Ltd. now named GHD, Inc. Due to a merger/acquisition of companies, old contracts and accompanying insurance must be reassigned to the new parent company.

Contracts for projects include the Oro Dam Boulevard Bicycle Lanes Project, City Agreement No. 3052, from February 18, 2014 and State Highway 162 and Feather River Boulevard Additional Turn Lanes Project, City Agreement No.3186 from July 19, 2016.

The BTA project design is effectively complete and will be going out for construction bid as soon as a Caltrans maintenance agreement and encroachment permit are issued. The Feather River Turn Lanes Project is on hold pending negotiations and discussions with Caltrans and verification of right-of-way needs to complete the project.

DISCUSSION

No change to existing contract scopes of work and the same staff (Project Manager and Project Engineer) are committed to the projects.

FISCAL IMPACT

a. Expense: None

RECOMMENDATIONS

Approve the contract amendments and sign assumption of contracts request letter.

ATTACHMENTS

GHD, Inc W-9 form, Certificate of Insurance, Assignment and Assumption of contracts request letter.

CLIENTS | PEOPLE | PERFORMANCE

September 26, 2018

Michael Massaro
City of Oroville
C/o Bennett Engineering
1082 Sunrise Avenue, Suite 100
Roseville, CA 95661

Re: Assignment and Assumption of Contracts

Dear Michael:

Omni-Means, Ltd. ("CONSULTANT") was acquired and became a wholly-owned subsidiary of GHD Inc. on January 31, 2017. We have now completed integration of our operations, and are seeking to have all of our CONSULTANT agreements assigned to GHD Inc.

GHD Inc. agrees to assume full responsibility for the following CONSULTANT'S projects with the CITY, effectively immediately upon the CITY'S consent to this assignment:

1. Oro Dam Boulevard Bicycle Lanes Project
   City Agreement No. 3052
   Agreement dated February 18, 2014
   GHD Inc. Project Number 11153713 (Formerly 25-5105-04)

2. State Highway 162 and Feather River Boulevard Additional Turns Lanes Project
   City Agreement No. 3186
   Agreement dated July 19, 2016
   GHD Inc. Project No. 11144973 (Formerly 45-5105-07)

Upon the assignment, GHD Inc. agrees to assume all responsibility for execution and completion of the AGREEM ENTS.

GHD Inc. agrees that the provisions of the AGREEMENTS will be unchanged by the Assignment and Assumption of the AGREEMENTS to GHD Inc. And we assure you that the Project Managers and staff supporting your projects will remain the same.

For your use, attached the following:

- GHD Inc. W-9
- GHD Inc. certificate of insurance

943 Reserve Drive, Suite 100, Roseville, CA USA
T 1 916-782-8688 **W** www.ghd.com

By this writing I am requesting that you approve this Assignment on behalf of the CITY by signing below, and returning a signed copy (email scan is acceptable) for our files.

Please do not hesitate to contact me with any questions you might have, and thank you for assisting with this assignment of your contracts.

Sincerely,

GHD Inc.

Douglas Ries, P.E.
Project Manager

Assignment Approved and Accepted this _____ day of _____, 2018:

City of Oroville

By: _____
Michael Massaro, P.E.

Its: _____

5-5105-04

11153713

CITY OF OROVILLE
OFFICE OF THE CITY CLERK
1735 MONTGOMERY STREET • OROVILLE, CA 95965-4897

530-538-2535
Fax 530-538-2468

February 25, 2014

Omni-Means, Ltd.
Attn: Paul Miller, Principal
943 Reserve Drive, Suite 100
Roseville, CA 95678

PROFESSIONAL SERVICES AGREEMENT
AGREEMENT NO. 3052

Enclosed are two counterparts of Agreement No. 3052. Please sign both agreements and return one fully executed agreement, with your insurance documentation, to:

City Clerk's Office
City of Oroville
1735 Montgomery Street
Oroville, CA, 95965

Please retain the other for your records.

If you have any questions, please contact me by phone at 530-538-2535 or by e-mail at cityclerk@cityoforoville.org.

Sincerely,

Jamie Hayes
City Clerk's Office

Enclosures – (2)

25-5105-04

AGREEMENT FOR PROFESSIONAL SERVICES

This Agreement is made and entered into as of February 18, 2014 by and between the **City of Oroville** ("City") and **Omni-Means, Ltd.** ("Consultant").

RECITALS

A. The Consultant is specially trained, experienced and competent to provide services relating to the Oro Dam Boulevard Bicycle Lanes Project (Project) as required by this Agreement; and

B. The Consultant possesses the skill, experience, ability, background, license, certification, and knowledge to provide the services described in this Agreement on the terms and conditions described herein.

C. City desires to retain Consultant to render professional services as set forth in this Agreement.

AGREEMENT

1. Scope of Services. The Consultant shall furnish the following services in a professional manner. Consultant shall perform the services described on Exhibit "A" which is attached hereto and incorporated herein by reference.

2. Time of Performance. The services of Consultant shall commence upon execution of this Agreement and shall continue until the Project is completed to the satisfaction of the City.

3. Compensation. Compensation to be paid to Consultant shall be in accordance with the Cost Proposal/Fee Schedule set forth in Exhibit "A,"

which is attached hereto and incorporated herein by reference. **In no event shall Consultant's compensation exceed the amounts of $19,974 without additional written authorization from the City.** Payment by City under this Agreement shall not be deemed a waiver of defects in Consultant's services, even if such defects were known to the City at the time of payment.

4. Method of Payment. Consultant shall submit monthly billings to City describing the work performed during the preceding month. Consultant's bills shall include a brief description of the services performed, the date the services were performed, the number of hours spent and by whom, and a description of any reimbursable expenditures. City shall pay Consultant no later than 30 days after approval of the monthly invoice by City staff.

5. Extra Work. At any time during the term of this Agreement, City may request that Consultant perform Extra Work. As used herein, "Extra Work" means any work which is determined by City to be necessary for the proper completion of Consultant's services, but which the parties did not reasonably anticipate would be necessary at the execution of this Agreement. Consultant shall not perform, nor be compensated for, Extra Work without prior written authorization from City.

6. Termination. This Agreement may be terminated by the City immediately for cause or by either party without cause upon fifteen days' written notice of termination. Upon termination, Consultant shall be entitled to

compensation for services properly performed up to the effective date of termination.

7. Ownership of Documents. All plans, studies, documents and other writings prepared by and for Consultant, its officers, employees and agents and subcontractors in the course of implementing this Agreement, except working notes and internal documents, shall become the property of the City upon payment to Consultant for such work, and the City shall have the sole right to use such materials in its discretion without further compensation to Consultant or to any other party. Consultant shall, at Consultant's expense, provide such reports, plans, studies, documents, and other writings to City within three (3) days after written request.

8. Licensing of Intellectual Property. This Agreement creates a nonexclusive and perpetual license for City to copy, use, modify, reuse, or sublicense any and all copyrights, designs, and other intellectual property embodied in documents or works of authorship fixed in any tangible medium of expression, including but not limited to, data magnetically or otherwise recorded on computer diskettes, which are prepared or caused to be prepared by Consultant under this Agreement ("Documents and Data"). Consultant shall require all subcontractors to agree in writing that City is granted a nonexclusive and perpetual license for any Documents and Data the subcontractor prepares under this Agreement. Consultant represents and warrants that Consultant has the legal right to license any and all Documents and Data. Consultant makes no such representation

and warranty in regard to Documents and Data which may be provided to Consultant by City. City shall not be limited in any way in its use of the Documents and Data at any time, provided that any such use not within the purposes intended by this Agreement shall be at City's sole risk.

9. Confidentiality. All ideas, memoranda, specifications, plans, procedures, drawings, descriptions, computer program data, input record data, written information, and other Documents and Data either created by or provided to Consultant in connection with the performance of this Agreement shall be held confidential by Consultant. Such materials shall not, without the prior written consent of City, be used by Consultant for any purposes other than the performance of the services under this Agreement. Nor shall such materials be disclosed to any person or entity not connected with the performance of the services under this Agreement. Nothing furnished to Consultant which is otherwise known to Consultant or is generally known, or has become known, to the related industry shall be deemed confidential. Consultant shall not use City's name or insignia, photographs relating to project for which Consultant's services are rendered, or any publicity pertaining to the Consultant's services under this Agreement in any magazine, trade paper, newspaper, television or radio production or other similar medium without the prior written consent of City.

10. Consultant's Books and Records.

a. Consultant shall maintain any and all ledgers, books of account,

invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services, expenditures and disbursements charged to City for a minimum period of three (3) years, or for any longer period required by law, from the date of final payment to Consultant to this Agreement.

b. Consultant shall maintain all documents and records which demonstrate performance under this Agreement for a minimum of three (3) years, or for any longer period required by law, from the date of termination or completion of this Agreement.

c. Any records or documents required to be maintained pursuant to this Agreement shall be made available for inspection or audit, at any time during regular business hours, upon written request by the City Administrator, City Attorney, City Finance Director, or a designated representative of these officers. Copies of such documents shall be provided to the City for inspection at City Hall when its practical to do so. Otherwise, unless an alternative is mutually agreed upon, the records shall be available at Consultant's address indicated for receipt of notices in this Agreement.

d. Where City has reason to believe that such records or documents may be lost or discarded due to dissolution, disbandment or termination of Consultant's business, City may, by written request by any of the above named officers, require that custody of the

records be given to the City and that the records and documents be maintained by City Hall.

11. Independent Contractor. It is understood that Consultant, in the performance of the work and services agreed to be performed, shall act as and be an independent contractor and shall not act as an agent or employee of the City. Consultant shall obtain no rights to retirement benefits or other benefits which accrue to City's employees, and Consultant hereby expressly waives any claim it may have to any such rights.

12. Interest of Consultant. Consultant (including principals, associates, and professional employees) covenants and represents that it does not now have any investment or interest in real property and shall not acquire any interest, direct or indirect, in the area covered by this Agreement or any other source of income, interest in real property or investment which would be affected in any manner or degree by the performance of Consultant's services hereunder. Consultant further covenants and represents that in the performance of its duties hereunder no person having any such interest shall perform any services under this Agreement. Consultant is not a designated employee within the meaning of the Political Reform Act because Consultant:

a. will conduct research and arrive at conclusions with respect to its rendition of information, advice, recommendation, or counsel independent of the control and direction of the City or any City official, other than normal agreement monitoring; and

b. possesses no authority with respect to any City decision beyond

rendition of information, advice, recommendation or counsel. (FPPC Reg. 18700(a)(2).)

13. Professional Ability of Consultant. City has relied upon the professional training and ability of Consultant to perform the services hereunder as a material inducement to enter into this Agreement. All work performed by Consultant under this Agreement shall be in accordance with applicable legal requirements and shall meet the standard of quality ordinarily to be expected of competent professionals in Consultant's field of expertise.

14. Compliance with Laws. Consultant shall use the standard of care in its profession to comply with all applicable federal, state and local laws, codes, ordinances and regulations.

15. Licenses. Consultant represents and warrants to City that it has all licenses, permits, qualifications, insurance and approvals of whatsoever nature which are legally required of Consultant to practice its profession. Consultant represents and warrants to City that Consultant shall, at its sole cost and expense, keep in effect or obtain at all times during the term of this Agreement, any licenses, permits, insurance and approvals which are required by the City for its business.

16. Indemnity. Consultant agrees to defend, indemnify and hold harmless the City, its officers, officials, agents, employees and volunteers from and against any and all claims, demands, actions, losses, damages, injuries, and liability, direct or indirect (including any and all costs and expenses in connection therein), arising from its performance of this Agreement or its

failure to comply with any of its obligations contained in this Agreement, except for any such claim arising from the sole negligence or willful misconduct of the City, its officers, agents, employees or volunteers.

17. Insurance Requirements. Consultant, at Consultant's own cost and expense, shall procure and maintain, for the duration of the Agreement, the insurance coverage and policies as set forth in Exhibit "B" attached hereto.

18. Notices. Any notice required to be given under this Agreement shall be in writing and either served personally or sent prepaid, first class mail. Any such notice shall be addressed to the other party at the address set forth below. Notice shall be deemed communicated within 48 hours from the time of mailing if mailed as provided in this section.

If to City: **Rick Walls, Interim City Engineer**
City of Oroville
1735 Montgomery Street
Oroville, CA 95965-4897

If to Consultant: **Paul Miller, Principal**
Omni-Means, Ltd.
943 Reserve Drive
Roseville, CA 95678

19. Entire Agreement. This Agreement constitutes the complete and exclusive statement of Agreement between the City and Consultant. All prior written and oral communications, including correspondence, drafts, memoranda, and representations are superseded in total by this Agreement.

20. Amendments. This Agreement may be modified or amended only by a

written document executed by both Consultant and City and approved as to form by the City Attorney.

21. Assignment and Subcontracting. The parties recognize that a substantial inducement to City for entering into this Agreement is the professional reputation, experience and competence of Consultant. Assignments of any or all rights, duties or obligations of the Consultant under this Agreement will be permitted only with the express prior written consent of the City. Consultant shall not subcontract any portion of the work to be performed under this Agreement without the prior written authorization of the City. If City consents to such subcontract, Consultant shall be fully responsible to City for all acts or omissions of the subcontractor. Nothing in this Agreement shall create any contractual relationship between City and subcontractor nor shall it create any obligation on the part of the City to pay or to see to the payment of any monies due to any such subcontractor other than as otherwise required by law.

22. Waiver. Waiver of a breach or default under this Agreement shall not constitute a continuing waiver of a subsequent breach of the same or any other provision under this Agreement.

23. Severability. If any term or portion of this Agreement is held to be invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions of this Agreement shall continue in full force and effect.

24. Controlling Law Venue. This Agreement and all matters relating to it shall

be governed by the laws of the State of California and any action brought relating to this Agreement shall be held exclusively in Butte County Superior Court or the United States District Court, Eastern District of California.

25. Litigation Expenses and Attorney's Fees. If either party to this Agreement commences any legal action against the other part arising out of this Agreement, the prevailing party shall be entitled to recover its reasonable litigation expenses, including court costs, expert witness fees, discovery expenses, and attorneys' fees.

26. Execution. This Agreement may be executed in several counterparts, each of which shall constitute one and the same instrument and shall become binding upon the parties when at least one copy hereof shall have been signed by both parties hereto. In approving this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

27. Authority to Enter Agreement. Consultant has all requisite power and authority to conduct its business and to execute, deliver, and perform the Agreement. Each party warrants that the individuals who have signed this Agreement have the legal power, right, and authority to make this Agreement and to bind each respective party.

28. Prohibited Interests. Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this

Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, City shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of City, during the term of his or her service with City, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

29. Equal Opportunity Employment. Consultant represents that it is an equal opportunity employer and it shall not discriminate against any subcontractor, employee or applicant for employment because of race, religion, color, national origin, disability, ancestry, sex or age. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date first written above.

CITY OF OROVILLE

By: _____
Linda L. Dahlmeier, Mayor

By: _____
Paul Miller, Principal

APPROVED AS TO FORM:

By: _____
Scott E. Huber, City Attorney

ATTEST:

By: _____
Randy Murphy, City Clerk

Attachments: Exhibit A - Scope of Services and Cost Proposal/Fee Schedule
Exhibit B - Insurance Requirements

omni · means
ENGINEERS · PLANNERS

Cost Proposal for Design Services Oro Dam Boulevard Bike Lane Project

Schedule and Person Hour Estimate Worksheet

Task	Task Description	Project Manager $171	Project Engineer $149	Technical Staff $101	Clerical $49	Direct Costs	Total Hours	Total Cost
Task 1	Project Schedule Base Mapping/Data Collection							
1.1	Agency Coordination	4	4				8	**$1,280**
1.2	Background Research	2	2				4	**$640**
1.3	Prepare Base Plan	2	2	24		$500	28	**$3,564**
1.4	Conceptual Alternatives Sketch Plans	4	8	4			16	**$2,280**
Task 2	Conceptual Plans (65%)							
2.1	Conceptual Plans	2	8	16			26	**$3,150**
2.2	Conceptual Plans Submittal	1	1	2	2	$100	6	**$720**
2.3	Utility Coordination			2			2	**$202**
Task 3	Preliminary Design (95%)							
3.1	Preliminary Plans	2	8	16			26	**$3,150**
3.2	Draft Specifications and Cost Estimates	2	8		4		14	**$1,730**
3.3	Preliminary PS&E Submittal	1	1	2	2	$100	6	**$720**
Task 4	Final Design (100%).							
4.1	Final Plans	1	4	4			9	**$1,171**
4.2	Final Specifications/Estimate	1	2	2			5	**$671**
4.3	Final PS&E Submittal		1	1	2		4	**$348**
4.4	Signed Mylar Submittal		1	1	2		4	**$348**
		22	50	74	12		158	$19,974
		$3,762	**$7,450**	**$7,474**	**$588**	**$700**	**$19,974**	

EXHIBIT A

EXHIBIT B

INSURANCE REQUIREMENTS FOR CONSULTANTS

Consultant shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Consultant, his agents, representatives, or employees.

Minimum Scope of Insurance

Coverage shall be at least as broad as:

1. Insurance Services Office Commercial General Liability coverage (occurrence Form CG 0001).
2. Insurance Services Office Form Number CA 0001 covering Automobile Liability, Code 1 (any auto).
3. Workers' Compensation insurance as required by the State of California and Employee's Liability Insurance.
4. Errors and Omissions Liability insurance appropriate to the consultant's profession. Architects' and engineers' coverage is to be endorsed to include contractual liability.

Minimum Limits of Insurance

Consultant shall maintain limits no less than:

1. General Liability: $1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
2. Automobile Liability: $1,000,000 per accident for bodily injury and property damage.
3. Employer's Liability: $1,000,000 per accident for bodily injury or disease.
4. Errors and Omissions Liability: $1,000,000 per occurrence.

Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by the City. At the option of the City, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the City, its officers, officials, employees and volunteers; or the Consultant shall provide a financial guarantee

satisfactory to the City guaranteeing payment of losses and related investigations, claim administration and defense expenses.

Other Insurance Provisions

The commercial general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. The City, its officers, officials, employees and volunteers are to be covered as additional insured's as respects: liability arising out of work or operations performed by or on behalf of the Consultant; or automobiles owned, leased, hired or borrowed by the Consultant.

2. For any claims related to this project, the Consultant's insurance coverage shall be primary insurance as respects the City, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.

3. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the City.

4. Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Subdivision (b) of Section 2782 of the Civil Code.

Acceptability of Insurers

Insurance is to be placed with insurers with a current A. M. Best's rating of no less than A:VII, unless otherwise acceptable to the City.

Verification of Coverage

Consultant shall furnish the City with original certificates and amendatory endorsements effecting coverage required by this clause. The endorsements should be on forms provided by the City or on other than the City's forms provided those endorsements conform to City requirements. All certificates and endorsements are to be received and approved by the City before work commences. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by these specifications at any time.

M2203
45-5105-07

AGREEMENT FOR PROFESSIONAL SERVICES

This Agreement is made and entered into as of July 19, 2016 by and between the City of Oroville ("City") and Omni-Means ("Consultant").

RECITALS

A. The Consultant is licensed, trained, experienced and competent to provide design and construction documents for the State Highway 162 and feather River Boulevard Additional Turns Lanes (Project) as required by this Agreement; and

B. The Consultant possesses the skill, experience, ability, background, license, certification, and knowledge to provide the services described in this Agreement on the terms and conditions described herein.

C. City desires to retain Consultant to render professional services as set forth in this Agreement.

AGREEMENT

1. Scope of Services. The Consultant shall complete all services in a professional manner. Consultant shall complete the services described in the Omni-Means proposal attached as Exhibit "A" which is incorporated herein by reference.

2. Time of Performance. The services of Consultant shall commence upon execution of this Agreement and shall be completed at the end of Project close out.

3. Compensation. Compensation to be paid to Consultant shall be in

accordance with the fee budget set forth in Exhibit "A," which is attached hereto and incorporated herein by reference. **In no event shall Consultant's compensation exceed the amount of $143,875 without additional written authorization from the City.** Payment by City under this Agreement shall not be deemed a waiver of defects in Consultant's services, even if such defects were known to the City at the time of payment.

4. Method of Payment. Consultant shall submit monthly billings to City describing the work performed during the preceding month. Consultant's bills shall include a brief description of the services performed, the date the services were performed, the number of hours spent and by whom, and a description of any reimbursable expenditures. City shall pay Consultant no later than 30 days after approval of the monthly invoice by City staff.

5. Extra Work. At any time during the term of this Agreement, City may request that Consultant perform Extra Work. As used herein, "Extra Work" means any work which is determined by City to be necessary for the proper completion of Consultant's services, but which the parties did not reasonably anticipate would be necessary at the execution of this Agreement. Consultant shall not perform, nor be compensated for, Extra Work without prior written authorization from City.

6. Termination. This Agreement may be terminated by the City immediately for cause or by either party without cause upon fifteen days' written notice

of termination. Upon termination, Consultant shall be entitled to compensation for services properly performed up to the effective date of termination.

7. Ownership of Documents. All plans, studies, documents and other writings prepared by and for Consultant, its officers, employees and agents and subcontractors in the course of implementing this Agreement, except working notes and internal documents, shall become the property of the City upon payment to Consultant for such work, and the City shall have the sole right to use such materials in its discretion without further compensation to Consultant or to any other party. Consultant shall, at Consultant's expense, provide such reports, plans, studies, documents, and other writings to City within three (3) days after written request.

8. Licensing of Intellectual Property. This Agreement creates a nonexclusive and perpetual license for City to copy, use, modify, reuse, or sublicense any and all copyrights, designs, and other intellectual property embodied in documents or works of authorship fixed in any tangible medium of expression, including but not limited to, data magnetically or otherwise recorded on computer diskettes, which are prepared or caused to be prepared by Consultant under this Agreement ("Documents and Data"). Consultant shall require all subcontractors to agree in writing that City is granted a nonexclusive and perpetual license for any Documents and Data the subcontractor prepares under this Agreement. Consultant represents and warrants that Consultant has the legal right to license any

and all Documents and Data. Consultant makes no such representation and warranty in regard to Documents and Data which may be provided to Consultant by City. City shall not be limited in any way in its use of the Documents and Data at any time, provided that any such use not within the purposes intended by this Agreement shall be at City's sole risk.

9. Confidentiality. All ideas, memoranda, specifications, plans, procedures, drawings, descriptions, computer program data, input record data, written information, and other Documents and Data either created by or provided to Consultant in connection with the performance of this Agreement shall be held confidential by Consultant. Such materials shall not, without the prior written consent of City, be used by Consultant for any purposes other than the performance of the services under this Agreement. Nor shall such materials be disclosed to any person or entity not connected with the performance of the services under this Agreement. Nothing furnished to Consultant which is otherwise known to Consultant or is generally known, or has become known, to the related industry shall be deemed confidential. Consultant shall not use City's name or insignia, photographs relating to project for which Consultant's services are rendered, or any publicity pertaining to the Consultant's services under this Agreement in any magazine, trade paper, newspaper, television or radio production or other similar medium without the prior written consent of City.

10. Consultant's Books and Records.

a. Consultant shall maintain any and all ledgers, books of account, invoices, vouchers, canceled checks, and other records or documents evidencing or relating to charges for services, expenditures and disbursements charged to City for a minimum period of three (3) years, or for any longer period required by law, from the date of final payment to Consultant to this Agreement.

b. Consultant shall maintain all documents and records which demonstrate performance under this Agreement for a minimum of three (3) years, or for any longer period required by law, from the date of termination or completion of this Agreement.

c. Any records or documents required to be maintained pursuant to this Agreement shall be made available for inspection or audit, at any time during regular business hours, upon written request by the City Administrator, City Attorney, City Finance Director, or a designated representative of these officers. Copies of such documents shall be provided to the City for inspection at City Hall when it's practical to do so. Otherwise, unless an alternative is mutually agreed upon, the records shall be available at Consultant's address indicated for receipt of notices in this Agreement.

d. Where City has reason to believe that such records or documents may be lost or discarded due to dissolution, disbandment or

termination of Consultant's business, City may, by written request by any of the above named officers, require that custody of the records be given to the City and that the records and documents be maintained by City Hall.

11. Independent Contractor. It is understood that Consultant, in the performance of the work and services agreed to be performed, shall act as and be an independent contractor and shall not act as an agent or employee of the City. Consultant shall obtain no rights to retirement benefits or other benefits which accrue to City's employees, and Consultant hereby expressly waives any claim it may have to any such rights.

12. Interest of Consultant. Consultant (including principals, associates, and professional employees) covenants and represents that it does not now have any investment or interest in real property and shall not acquire any interest, direct or indirect, in the area covered by this Agreement or any other source of income, interest in real property or investment which would be affected in any manner or degree by the performance of Consultant's services hereunder. Consultant further covenants and represents that in the performance of its duties hereunder no person having any such interest shall perform any services under this Agreement. Consultant is not a designated employee within the meaning of the Political Reform Act because Consultant:

a. will conduct research and arrive at conclusions with respect to its rendition of information, advice, recommendation, or counsel independent of the control and direction of the City or any City

official, other than normal agreement monitoring; and

b. possesses no authority with respect to any City decision beyond rendition of information, advice, recommendation or counsel. (FPPC Reg. 18700(a)(2).)

13. Professional Ability of Consultant. City has relied upon the professional training and ability of Consultant to perform the services hereunder as a material inducement to enter into this Agreement. All work performed by Consultant under this Agreement shall be in accordance with applicable legal requirements and shall meet the standard of quality ordinarily to be expected of competent professionals in Consultant's field of expertise.

14. Compliance with Laws. Consultant shall use the standard of care in its profession to comply with all applicable federal, state and local laws, codes, ordinances and regulations.

15. Licenses. Consultant represents and warrants to City that it has all licenses, permits, qualifications, insurance and approvals of whatsoever nature which are legally required of Consultant to practice its profession. Consultant represents and warrants to City that Consultant shall, at its sole cost and expense, keep in effect or obtain at all times during the term of this Agreement, any licenses, permits, insurance and approvals which are required by the City for its business.

16. Indemnity. Consultant agrees to indemnify and hold harmless the City, its officers, officials, employees and volunteers from and against any and all claims, demands, actions, losses, damages, injuries, and liability, direct or

indirect (including reimbursement of reasonable costs and expenses in connection therein), arising from its negligent performance of this Agreement or its failure to comply with any of its obligations contained in this Agreement, except for any such claim arising from the negligence or willful misconduct of the City, its officers, agents, employees or volunteers. With regard to any claim alleging Consultant's negligent performance of professional services, Consultant's defense obligation under this indemnity paragraph means only the reimbursement of reasonable defense costs to the proportionate extent of its actual indemnity obligation hereunder.

17. Insurance Requirements. Consultant, at Consultant's own cost and expense, shall procure and maintain, for the duration of the Agreement, the insurance coverage and policies as set forth in Exhibit "B" attached hereto.

18. Notices. Any notice required to be given under this Agreement shall be in writing and either served personally or sent prepaid, first class mail. Any such notice shall be addressed to the other party at the address set forth below. Notice shall be deemed communicated within 48 hours from the time of mailing if mailed as provided in this section.

If to City:

City Administrator
City of Oroville
1735 Montgomery Street
Oroville, CA 95965-4897

If to Consultant: **Omni-Means, Ltd.**
943 Reserve Drive, Suite 100
Roseville, California 95678
Attn: Russell Wenham

19. Entire Agreement. This Agreement constitutes the complete and exclusive statement of Agreement between the City and Consultant. All prior written and oral communications, including correspondence, drafts, memoranda, and representations are superseded in total by this Agreement.

20. Amendments. This Agreement may be modified or amended only by a written document executed by both Consultant and City and approved as to form by the City Attorney.

21. Assignment and Subcontracting. The parties recognize that a substantial inducement to City for entering into this Agreement is the professional reputation, experience and competence of Consultant. Assignments of any or all rights, duties or obligations of the Consultant under this Agreement will be permitted only with the express prior written consent of the City. Consultant shall not subcontract any portion of the work to be performed under this Agreement without the prior written authorization of the City. If City consents to such subcontract, Consultant shall be fully responsible to City for all acts or omissions of the subcontractor. Nothing in this Agreement shall create any contractual relationship between City and subcontractor nor shall it create any obligation on the part of the City to pay or to see to the payment of any monies due to any such subcontractor other than as otherwise required by law.

22. Waiver. Waiver of a breach or default under this Agreement shall not constitute a continuing waiver of a subsequent breach of the same or any other provision under this Agreement.

23. Severability. If any term or portion of this Agreement is held to be invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions of this Agreement shall continue in full force and effect.

24. Controlling Law Venue. This Agreement and all matters relating to it shall be governed by the laws of the State of California and any action brought relating to this Agreement shall be held exclusively in Butte County Superior Court or the United States District Court, Eastern District of California.

25. Litigation Expenses and Attorney's Fees. If either party to this Agreement commences any legal action against the other part arising out of this Agreement, the prevailing party shall be entitled to recover its reasonable litigation expenses, including court costs, expert witness fees, discovery expenses, and attorneys' fees.

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28. Prohibited Interests. Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, City shall have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of City, during the term of his or her service with City, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

29. Equal Opportunity Employment. Consultant represents that it is an equal opportunity employer and it shall not discriminate against any subcontractor, employee or applicant for employment because of race, religion, color, national origin, disability, ancestry, sex or age. Such non-discrimination shall include, but not be limited to, all activities related to

initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed on the date first written above.

CITY OF OROVILLE

By: _____
Thil Chan Wilcox, Vice Mayor

By: _____
Omni-Means, Ltd. RUSSELL A WENHAM RCE 43162

APPROVED AS TO FORM:

By: _____
Scott E. Huber, City Attorney

ATTEST:

By: _____
Donald Rust, Acting City Clerk

Attachments: Exhibit A - Consultant Proposal
Exhibit B - Insurance Requirements

Scope of Services

The following scope of services has been generally formatted to follow the task outline as presented in the RFP. The individual task descriptions describing the work to be provided as stated in the RFP are also shown at the beginning of each task in underlined text for reference followed by our specific work plan to accomplish each task. In aggregate, our proposed scope of services will provide the City with a complete and buildable project.

Task 1 - Project Management, Meetings and Coordination

Consultant shall budget the necessary project management time to manage all aspects of the project including preparation of monthly invoices. Invoices shall be billed by the task number and shall show the total task budget, amount billed each month and task budget balance. Consultant shall budget one (1) kick off meeting and two (2) post kick-off project meetings to be held at Oroville City Hall.

1.1 - General Project Management

Under this task, Omni-Means shall perform the following duties:

- Prepare and maintain master project schedule, and submit project schedule to City at project milestones.
- Supervise, coordinate, and monitor design for conformance with applicable standards and policies.
- Coordinate plan submittals to, and reviews by the City, Caltrans, and utility owners.
- Staff scheduling, and supervision.
- Prepare and submit project invoices on a monthly basis.
- Provide Quality Control.
- Provide technical support to lead agency.
- Coordination with City.

- ***Work Products:*** *Document and Plan Submittals, Design Oversight/Quality Control, Monthly Invoices and Project Schedule.*

1.2 - Project Meetings

Omni-Means shall be available throughout the length of this project to coordinate and attend Project meetings as needed with the City of Oroville. Project meetings will be held at City Hall. For budget purposes, up to three (3) project meetings have been budgeted for by Omni-Means under this task. Omni-Means will be responsible for scheduling project meetings, developing/distributing the meeting agendas, and keeping the meeting minute summaries. It is anticipated that meetings would occur at the following stages:

- Project kick-off meeting.
- One meeting during Preliminary Project Design (**Task 4**).
- One additional meeting at the City's discretion.

- ***Work Products:*** *Scheduling of, attendance at, and preparation of agendas and minutes for up to three (3) project meetings.*

1.3 - Coordination with Caltrans

Under this task, Omni-Means will coordinate with Caltrans to ensure that the necessary plan reviews are completed and supporting documentation, such as the Permit Engineering Evaluation Report (PEER) by Caltrans, is provided in order to obtain a State Encroachment Permit for all work to be constructed within the State Right of Way.

The scope assumes that Caltrans will not require any design exception fact sheets.

- ***Work Products:*** *Caltrans Coordination.*

Task 2 - Utility Identification/Research and Caltrans Coordination

Identify all utility facilities within the Projects boundaries that may interfere with Project construction. The Consultant shall also be required to investigate the presence of existing utilities by contacting utility owners and investigating available documentation and surface indicators. **The Consultant shall schedule a kick off meeting between Caltrans, City and Consultant to discuss both utility facilities and Project concepts.** ***(Note: The requested project meeting and specific Caltrans coordination is provided within Task 1).***

2.1 - Initial Utility Requests & Mapping

At the outset of the project, Omni-Means will complete the following utility coordination related coordination items:

- Prepare/obtain a list of all utility owners known to have facilities within the area;
- Establish a point of contact for each utility

owner;
- Prepare initial letters requesting facilities maps from each utility owner;
- Verify that provided utility plats are consistent with project base mapping;
- Update base mapping as required.

- ***Work Products:*** *Utility contacts, plat requests, base map verification.*

2.2 - Relocation Plan Coordination

Under this task, Omni-Means will update the base map based upon any feedback/comments received from each of the utility owners on the 60% submittal (Task 6.2). If utility owners do not formally respond to the 60% submittal, Omni-Means will attempt to contact those who did not respond to verify all of their facilities are shown correctly. If contact is unsuccessful Omni-Means will document attempts to make contract, and proceed with the design.

Any identified utilities that are in conflict with the proposed improvements will be noted on the 60% plans. For any utilities that are determined and confirmed to be in conflict with the proposed improvements, Omni-Means shall provide ongoing coordination to satisfy the following:

- Assist utility owners with their plans for relocation;
- Incorporate utility owner relocation plans into project plans as required;
- Meet with utility owners as needed to discuss relocation alternatives, process, schedule, cost, etc.

- ***Work Products:*** *Final verifications, relocation plan assistance, utility coordination meetings.*

2.3 - High and Low Risk Utilities and Potholing (Optional)

At this time, services for potholing underground utilities and survey services to locate potholes are not included in this scope of services. Omni-Means will locate the utilities within the project limits as required by Caltrans' "Policy on High and Low Risk Utilities in Highway Rights of Way" through available "As-Built" information. Should high risk facilities be identified as present within the project area, then the City will be notified and a separate scope of work and cost will be provided by Omni-Means for these services.

Task 3: Project Surveying

The Consultant shall perform a topographical land survey of the surface conditions within the Intersection and along those extents of ODB and FRB necessary to design the proposed Intersection improvements. Surveying shall include all defined project boundaries and its immediate surroundings, identifying road, manhole and invert elevations, structures, utilities, existing road markings, sign and signal placements, islands and medians, and any other features that will affect the design and construction of the project. There is no deliverable for this task.

3.1 - Data Collection

Under this task, Omni-Means will obtain from the City and Caltrans, background information pertaining to the project including, but not limited to, record drawings, record maps, aerial photographs, and GIS data. This information will be reviewed, and used as necessary during the mapping and design phases of the project.

3.2 - Survey Project Control

Omni-Means will establish a survey control base for the Project in State Plane Coordinates (NAD 83, Zone IV). Existing monuments (section corners, property corners, and other control monuments) found at the Project site will be used to establish the Horizontal Project Control. The vertical datum will be established using the City Benchmark System.

3.3 - Topographic Survey

Omni-Means will perform a topographic survey of the Project area. All visible existing utilities (irrigation, water, gas, electric, telephone, fiber optic, cable TV, sewer, storm drain manholes, and storm drain culverts) will be located. Also included is the on-site parking lot located west of the project intersection. General cross section topography would include one pavement shot at the crown of roadway, lip of gutter, gutter flow line, and top back of curb. Additional topographic detail will be obtained at conform locations, curb ramp locations, driveway locations, improved property frontages, and critical design locations. The topographic survey will include elevations and locations of all surface features, including but not limited to visible utility facilities (utility poles, manholes, valves, drain inlets, street lights, vaults, pull boxes, etc.), curbs, gutters, sidewalks, mailboxes, tops and toes of

slopes, pavements, driveways, fences, headwalls, trees, signs, pavement markings and stripes, and other items identified. It is assumed that the Client will provide any required property owner notifications.

3.4 - Establish Right of Way/Property Lines

Pertinent City right of way and adjacent property sidelines intersecting the right of ways will be analyzed and resolved utilizing Assessor's Parcel maps, title reports, and survey record maps. No field ties (boundary survey) of property lines will be performed.

3.5 - CAD File Setup

Omni-Means will set up the project computer files and prepare the Triangular Irregular Network (TIN) used for three-dimensional calculations, i.e. earthwork, cross-sections, and profiles.

3.6 - Prepare Base Map

Omni-Means will create the initial project base map to include the field topographic survey data, surveyed utility facilities, and resolved property lines, right of way lines, and easement lines. Omni-Means will update the base map as additional information becomes available, such as utility atlas maps, field verifications, etc.

- ***Work Products:*** *Topographic surveys and base mapping.*

Task 4: Preliminary Project Design

Consultant shall review available turning movement data for existing and future conditions in order to provide the City recommendations and options for improving Intersection operation. Consultant shall review and provide a technical opinion on the merits of the two sets of Intersection recommendations provided to the City. It is desirous to construct a Project without the need to purchase and acquire right of way (ROW). Consultant shall develop preliminary Project options for Intersection improvements **both without and with the need for additional ROW**. If ROW is needed for any option, Consultant is encouraged to develop design parameters that minimize ROW requirements.

Preliminary design options shall include a plan view drawing for each option to include lane designations/re-arrangements within the existing ROW and existing infrastructure impacts for the options. For those options that require any ROW, preliminary (not survey grade) ROW needs shall be shown by location. For each option, Consultant shall develop a LOS analysis to include current and future predicted turning movement counts resultant from the improvements.

Once a final option has been selected by the City and Caltrans, Consultant shall prepare project plans consistent with Caltrans specifications. Deliverables shall include option layouts as described in this section.

4.1 - Alternatives Analysis

As the project intersection in on the State Highway System (SR 162), Omni-Means will develop and provide the two (2) requested intersection options through conducting a Caltrans Intersection Control Evaluation (ICE) Step 1 process. The scope assumes that the two alternatives will involve adding turn lane(s) and modifying the existing traffic signal. Specifically, the following services will be provided within this task.

4.1.1 - Traffic Counts and Traffic Forecasts

Omni-Means will obtain new weekday AM and PM peak hour traffic counts at the Oro Dam Boulevard/Feather River Boulevard intersection including turning movement counts, pedestrian and bicycle counts, and heavy vehicle truck percentage counts. Preliminary traffic forecasts suitable to complete only the Step 1 ICE analysis process will also be developed through consultation with the City and Caltrans staff. It is anticipated that traffic forecasts will need to be developed for the build year, interim year and the design year to be used for evaluation purposes. At this time, it is assumed that the preliminary traffic forecasts will be developed through review of existing historical traffic data, the new traffic data, and available model forecasts that will be requested from BCAG.

4.1.2 - Preliminary Traffic Operations Analysis

The study intersection is currently traffic signal controlled and the current recommended improvements include providing additional capacity through provision of additional turn lanes. The improvements currently recommended

would represent one (1) of the improvement options to be studied. In addition, roundabouts are another intersection option required by Caltrans to be considered within the ICE process and, at this time, is considered the second improvement option that would need to be studied.

The analysis of the signal improvement option will be completed in Synchro and for roundabouts, SIDRA will be utilized. The objective of this analysis is to identify feasible alternatives that meet the design year forecasts. Preliminary geometrics for both the traffic signal and roundabout alternatives will be developed. The analysis will be summarized in a technical memorandum and will contain the following information:

- Signal (Synchro) - Using Synchro, preliminary operations will be evaluated for build year and design year conditions.
- Roundabout (SIDRA) - Using SIDRA, preliminary operations will be evaluated for build year and design year conditions.

4.1.3 - Develop Preliminary Control Geometrics and Footprint Area

Preliminary geometrics will be developed for each of the improvement options based on the results of the traffic operations analysis. For the roundabout option, Fast Paths and Truck Turns will also be utilized in developing the preliminary geometrics.

4.1.4 - Determine Preliminary Safety Assessment

Available crash data information and published data with respect to crash modification factors will be used to perform a preliminary safety assessment for each project option.

4.1.5 - Develop Preliminary Opinion of Cost Estimates

Though not typically part of ICE Step 1, Omni-Means will develop a preliminary opinion of cost estimate (construction and right of way only) for the two intersection improvement options based on the preliminary geometric concepts developed in **Task 4.1.3**. These preliminary costs will provide the basis for discussions with Caltrans as to the appropriate process, Caltrans Encroachment Permit or project development process, for moving this project forward.

4.1.6 - Summary of ICE Step 1 Analysis and Recommendations.

A technical memorandum will be prepared and submitted to the City and Caltrans for review and comment. Conclusions, recommendations, assumptions, and methodologies developed in **Tasks 4.1.1** through **4.1.5** will be documented and presented in the technical memorandum. Supporting calculations and exhibits will also be provided as attachments to the technical memorandum. It is expected that a preferred improvement option will be identified that will be carried forward into final design.

- ***Work Products:*** *ICE Step 1 evaluation and preferred project improvements.*

- ***Assumptions:*** *Omni-Means scope of services and fee estimate is based on preparing PS&E only for capacity improvements to and modification of the existing traffic signal controlled intersection at Oro Dam Boulevard and Feather River Boulevard and that the Capital Costs (construction and right of way) will be less than $1 million. Should an option such as a roundabout be identified as the preferred improvement, then Omni-Means will identify the additional design effort and Caltrans processing requirements that would be required and schedule a meeting with the City to renegotiate both our scope of services and fee estimate.*

4.2 - Geotechnical Services (Not in Scope)

Caltrans has extensive data readily available regarding excavation issues, design R-value and corrosively. Omni-Means will obtain this information from Caltrans for use in the design.

- ***Work Products:*** *Caltrans information.*

4.3 - Permit Engineering Evaluation Report (PEER) (Not in Scope)

Caltrans policy is to prepare a PEER for projects where a local agency proposes to construct less than $1 million in improvements in the state highway right of way. This project will qualify for a PEER and in accordance with Caltrans policies the PEER will be prepared by Caltrans.

- ***Work Products:*** *Caltrans prepared PEER.*

4.4 - Environmental Approval (Not in Scope)

The scope assumes the project will be Categorically Exempt under CEQA and that the City will use the preliminary design to prepare appropriate CEQA approval.

- ***Work Products:*** *City CEQA approval.*

Task 5: Right of Way Mapping and Appraisals

If the City chooses an option requiring ROW, Consultant shall develop survey grade metes and bounds plats that can be used for land acquisition. For budgeting purposes, Consultants are instructed to include the cost for two small ROW takes, assuming one each for ODB and FRB. Consultant shall include the cost for one (1) appraisal report for two (2) ROW areas. Since the purchase of additional ROW would need to be facilitated by Caltrans, Caltrans appraisal standards would apply. At a minimum, the appraisal shall be prepared under the supervision of and shall be signed by a California Certified General Real Estate Appraiser. However, this Project is **not funded by federal or state grant funds**, therefore, federal appraisal standards do not apply. Deliverables for this task, if applicable, shall include ROW plats, legal descriptions and appraisal report.

5.1 - ROW Plats and Legal Descriptions

Omni-Means will perform necessary field surveys, records research, resolve boundaries, and prepare two (2) plat maps and two (2) legal descriptions.

- ***Work Products:*** *Two (2) plats and legals.*

5.2 - ROW Appraisal Report

Seevers Jordan Ziegenmeyer, subconsultant to Omni-Means, will prepare an appraisal report for two (2) parcels.

- ***Work Products:*** *Appraisal report.*

Task 6: Project Plans

The Consultant shall prepare, design and deliver 60%, 90% and final plans for the construction of the selected option for the Intersection. Plan sheet content shall be as follows, as a minimum:

- Cover sheet with drawing index and from:to station numbers.
- Plan sheets showing the locations of all road surface improvements and infrastructure modification work required (demolition, grading, trenching, excavation, concrete, etc.).
- Plan sheets showing limits of existing striping and markings removal, new striping and marking required, sign relocations and other related work.
- Traffic signal sheets showing all necessary modifications to the existing signals that are required for the selected option. These modifications are to include any and all controller, phasing, traffic loops, traffic signal heads modifications that may be required.
- Other construction details sheets that may be required for new infrastructure improvements or modifications to existing infrastructure.

6.1 - Prepare 60% Plans

Under this task, Omni-Means will prepare 60% design plans for the preferred intersection option identified in **Task 4**. All design shall be in compliance with City Standard Drawings, Caltrans Standard Specifications, current ADA Standards, and applicable Caltrans Standard Plans. The scope assumes that storm drain hydraulics analysis will not be required but that gutter/shoulder spread and inlet calculations will be provided as necessary.

- ***Work Products:*** *60% plans.*

6.2 - 60% P&E Submittal

This task includes plotting, printing, and reproduction of the 60% plans and cost estimate (**Task 8.1**) for submittal to the City for review and comment. This task also includes preparation of all letters of transmittal to the City and utility agencies, and plan submittals to all utility agencies as well.

The 60% plans and cost estimate will be submitted to Caltrans. The City will authorize Omni-Means to act as the City's agent for coordinating with Caltrans. Omni-Means will prepare the required encroachment permit application.

The plans will be prepared in Caltrans standard format with 11"x17" plans as the final product. The following number of reports and plan sets shall be provided as part of the 60% submittal:

City of Oroville:
- Five (5) sets of plans (11"x17")
- Two (2) sets draft technical special provisions
- Two (2) sets draft engineer's estimate

Caltrans:
- Six (6) sets of plans (11"x17")
- Two (2) sets draft technical special provisions
- Two (2) sets draft engineer's estimate

Additional PDF and CAD files will be submitted upon request.

- ***Work Products:*** *60% submittal packages/ deliverables.*

6.3 - Prepare 90% PS&E

Under this task, Omni-Means will pick-up the City and Caltrans comments on the 60% P&E submittal, incorporate revisions into the 90% PS&E, and prepare a written response to comments in table format. Comments obtained on the preliminary plans will be incorporated into the plan set as required.

6.4 - 90% PS&E Submittal

This task includes final plotting, transmittal letters, reproduction, copying, preparation, packaging, and mailing of the 90% plans, specifications (**Task 7.1**) and engineer's estimate (**Task 8.1**) submittal package to the City, Caltrans, and utility owners for final review and comment. The following number of reports and plan sets shall be provided as part of the 90% PS&E submittal:

City of Oroville:
- Five (5) sets of plans (11"x17")
- Two (2) sets draft technical special provisions
- Two (2) sets draft engineer's estimate

Caltrans:
- Six (6) sets of plans (11"x17")
- Two (2) sets draft technical special provisions
- Two (2) sets draft engineer's estimate
- One (1) copy of City's CEQA approval

Additional PDF and CAD files will be submitted upon request. The City's redlined plans/ comments on the 60% submittal will also be provided upon request.

- ***Work Products:*** *90% submittal packages/ deliverables.*

6.5 - Final PS&E Contract Documents

Under this task, Omni-Means will incorporate and/ or address in writing any final comments received from the City and Caltrans on the 90% submittal. This task includes final plotting and compilation of the bid documents and preparation of the Resident Engineers File. Omni-Means will provide the City of Oroville with one (1) set (11"x17" plans on Mylar or vellum), one (1) set of final technical special provisions (**Task 7.1**) and an engineer's estimate (**Task 8.1**) signed by the Engineer in responsible charge. Final plans will also be provided to the City electronically in CAD and PDF formats.

The City will prepare the bid books and the front end documents.

Omni-Means will submit the final bid documents to Caltrans for issuance of an encroachment permit.

- ***Work Products:*** *Submit Final Contract Documents to City for advertisement of bids and to Caltrans for issuance of an Encroachment Permit.*

Task 7: Project Technical Specifications

Prepare technical specifications, for bid purposes, in conformance with the current Standard Specifications for Public Works Construction (Green book) and other applicable agency (Caltrans) standard plans, specifications, and guidance documents for the necessary construction work. Specifications need to address methods and materials for the physical work and also need to address the selected methods and equipment for shoring equipment to be used, with an emphasis on Oro Dam Boulevard.

7.1 - Technical Specifications

Under this task, Omni-Means will first prepare the draft technical special provisions for the 90% PS&E submittal (**Task 6.4**) and for the final PS&E contract documents (**Task 6.5**). The technical special provisions will be prepared corresponding to the appropriate sections of the "State of California Department of Transportation Standard Specifications" and City Specifications for all work to be performed as a part of the contract.

- ***Work Products:*** *Technical special provisions.*

Task 8: Construction Estimate

Prepare an engineer's construction estimate for each of the Element 1 Projects. Cost estimates shall have quantities and unit prices for each logical work element.

8.1 - Engineer's Estimate of Probable Construction Cost

Under this task, Omni-Means will first prepare a draft engineer's estimate of probable construction cost for the 60% P&E submittal (**Task 6.2**). The engineer's estimate of probable construction cost will then be reviewed and updated as needed for the 90% PS&E submittal (**Task 6.4**) and for the final PS&E contract documents (**Task 6.5**).

- ***Work Products:*** *Engineer's estimate of probable construction cost.*

Task 9: Bidding and Award Services

Omni-Means will assist the City with bidding and award of a construction contract by providing the following services:

- Responding to bidder inquires.
- Preparing addenda.
- Reviewing bids.
- Making a written award recommendation.

- ***Work Products:*** *Bidding and award.*

Task 10: Construction Engineering Support

Omni-Means will assist the City with construction engineering by providing the following services:

- Shop drawings review.
- Submittal review.
- Responses to RFI's.
- CCO preparation.
- Field visits.
- Meeting attendance.
- As-built preparation.

Since the amount of work required under this task cannot be accurately estimated, Omni-Means will perform this task on an "allowance" basis. The budget may need to be augmented depending on factors outside of Omni-Means' control.

Tasks 9 and 10 not included in Agreement

Fee Proposal for
Engineering Design
Oro Dam Boulevard Additional Turn Lanes

Task	Task Description	Class / Rate	PIC $220	PM $190	Civil PE $150	TE $190	Tech Staff $110	Srvy PLS $150	Srvy Tech $95	Clerical $55	Subconsultants, Purchases & Direct Costs	Total Hours	Task Sub-Total	Task Total
1	**Project Management, Coordination and Meetings**													**$17,085**
1.1	General Project Management		1	8						1		10	$1,795	
1.2	Project Meetings			20	6	6				1	$500	33	$6,395	
1.3	Coordination with Caltrans			20	24	6				1	$300	51	$8,895	
2	**Utility Identification / Research and Caltrans Coordination**									1				**$9,070**
2.1	Initial Utility Requests and Mapping			1	4		8			2		15	$1,780	
2.2	Relocation Plan Coordination			2	16		40			2		60	$7,290	
3	**Project Surveying**													**$18,930**
3.1	Data Collection			1	1		4	2	8			16	$1,840	
3.2	Survey Project Control							6	6			12	$1,470	
3.3	Topography Survey							30	40			70	$8,300	
3.4	Establish Right of Way/Property Lines							4	8			12	$1,360	
3.5	CAD file setup							4	36			40	$4,020	
3.6	Prepare Base Map				2		8		8			18	$1,940	
4	**Preliminary Project Design**													**$28,460**
4.1.1	Traffic Counts and Traffic Forecasts			2		8	8						$2,780	
4.1.2	Preliminary Traffic Operations Analysis			3	8	16	24						$7,450	
4.1.3	Develop Preliminary Control Geometrics and Footprint Area			2	16	2	44						$8,000	
4.1.4	Determine Preliminary Safety Assessment					1	8					9	$1,070	
4.1.5	Develop Preliminary Opinion of Cost Estimates			1	6		24					31	$3,730	
4.1.6	Summary of ICE Step 1 Analysis and Recommendations		1	2		4	36			2		45	$5,430	
5	**Right of Way Mapping and Appraisals**													**$13,485**
5.1	ROW Plats and Legal Descriptions			1	2		2	4	16			25	$2,830	
5.2	ROW Appraisal Report			2			2			1	$10,000.00	5	$10,655	
6	**Project Plans**													**$43,940**
6.1	Prepare 60% Plans		1	4	24		80					109	$13,380	
6.2	60% P&E Submittal			1	1		6			4	$50	12	$1,270	
6.3	Prepare 90% PS&E		1	4	32		80					117	$14,580	
6.4	90% PS&E Submittal			1	1		6			4	$50	12	$1,270	
6.5	Final PS&E Contract Documents		1	5	36		60			4	$50	106	$13,440	
7	**Project Technical Specifications**													**$7,755**
7.1	Technical Specifications			2	40		12			1		55	$7,755	
8	**Construction Estimate**													**$5,150**
8.1	Engineer's Estimate of Probable Construction Cost			1	6	4	30					41	$5,150	
~~**9**~~	~~**Bidding and Award Services**~~													~~**$2,840**~~
	Bidding and Award Services			2	12		6					20	$2,840	
~~**10**~~	~~**Construction Engineering Support**~~													~~**$8,850**~~
	Construction Engineering Support			4	36	4	12			2	$500	58	$8,850	
	Subtotal	*Hours*	5	89	273	51	500	50	122	26		982		
		Dollars	$1,100	$16,910	$40,950	$9,690	$55,000	$7,500	$11,590	$1,430	$11,450		$155,565	~~**$155,565**~~

Notes:
1. Hourly rates are averages. Invoices will reflect rates for employees that perform the work.
2. Shifting of funds between tasks may be required so long as costs are contained within the total amount.
3. Direct costs will be marked up 10%. Subconsultant invoices will be billed without an additional markup.

$143,875

Check *$155,620*

EXHIBIT B

INSURANCE REQUIREMENTS FOR CONSULTANTS

Consultant shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Consultant, his agents, representatives, or employees.

Minimum Scope of Insurance

Coverage shall be at least as broad as:

1. Insurance Services Office Commercial General Liability coverage (occurrence Form CG 0001).
2. Insurance Services Office Form Number CA 0001 covering Automobile Liability, Code 1 (any auto).
3. Workers' Compensation insurance as required by the State of California and Employee's Liability Insurance.
4. Errors and Omissions Liability insurance appropriate to the consultant's profession.

Minimum Limits of Insurance

Consultant shall maintain limits no less than:

1. General Liability: $1,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit.
2. Automobile Liability: $1,000,000 per accident for bodily injury and property damage.
3. Employer's Liability: $1,000,000 per claim for bodily injury or disease.
4. Errors and Omissions Liability: $1,000,000 per occurrence.

Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to and approved by the City. At the option of the City, either: the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the City, its officers, officials, employees and volunteers; or the Consultant shall provide a financial guarantee

satisfactory to the City guaranteeing payment of losses and related investigations, claim administration and defense expenses.

Other Insurance Provisions

The commercial general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. The City, its officers, officials, employees and volunteers are to be covered as additional insured's as respects: liability arising out of work or operations performed by or on behalf of the Consultant; or automobiles owned, leased, hired or borrowed by the Consultant.

2. For any claims related to this project, the Consultant's insurance coverage shall be primary insurance as respects the City, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.

3. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after thirty (30) days' prior written notice by first class mail has been given to the City.

4. Coverage shall not extend to any indemnity coverage for the negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Subdivision (b) of Section 2782 of the Civil Code.

Acceptability of Insurers

Insurance is to be placed with insurers with a current A. M. Best's rating of no less than A:VII, unless otherwise acceptable to the City.

Verification of Coverage

Consultant shall furnish the City with original certificates and amendatory endorsements effecting coverage required by this clause. The endorsements should be on forms provided by the City or on other than the City's forms provided those endorsements conform to City requirements. All certificates and endorsements are to be received and approved by the City before work commences. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by these specifications at any time.

CITY OF OROVILLE
STAFF REPORT

TO: **MAYOR DAHLMEIER AND COUNCIL MEMBERS**

FROM: **BILL LA GRONE, ASSISTANT CITY ADMINISTRATOR**

RE: **SUPPLEMENTAL BENEFIT FUND GRANT APPLICATIONS FOR THE CITY OF OROVILLE**

DATE: **NOVEMBER 6, 2018**

SUMMARY

Notification to Council of submission of request for Supplemental Benefit Funding for two projects.

DISCUSSION

On October 25, 2018 the City applied to the SBF for grant funding in the amount of $325,000.00.

This grant funding was requested for The City of Oroville is requesting funds to build a metal shade pavilion at Bedrock Park. The park currently has restrooms, parking, lawns and trees but does not have a gathering place for the community or visitors who might want to have a shade pavilion for celebrations or events. The proposed shade pavilion would encompass approximately 720 square feet / 30-foot diameter and be located in front (north) of the location of the old bleachers on the lawn area west of the parking lot. The design would be similar to the larger shade pavilions in Riverbend Park except smaller. Requested amount $175,000.00

The City also applied for funds to build a metal guard rail and replace the worn and destroyed fencing on the south side of Table Mountain Blvd adjacent to the Fish Hatchery. The Fish Hatchery is visited by hundreds of people each spring and fall. The proposed guard rail and fencing would be approximately 600 ft and would be constructed so in the event of damage it could easily be replaced. Requested amount $150,000.00

If funding is granted for either of these projects staff will return to the Council with design and placement recommendations from the Parks Commission for the shade structure at Bedrock Park.

FISCAL IMPACT:

None at this time

RECOMMENDATION

Information only

OROVILLE CITY COUNCIL
STAFF REPORT

TO: **MAYOR AND CITY COUNCIL**

FROM: **AMY BERGSTRAND, MANAGEMENT ANALYST III**
BUSINESS ASSISTANCE/HOUSING DEVELOPMENT

RE: **FORECLOSURE OF 1730 VEATCH STREET AND 119 MORNINGSTAR AVENUE**

DATE: **NOVEMBER 6, 2018**

SUMMARY

The Council may consider the foreclosure of City interest on properties located at 1730 Veatch Street (APN 012-136-003) and 119 Morningstar Ave (APN 031-340-047) Oroville, which are financially feasible for the City to cure the underlying first loan mortgage defaults and payoff of the first mortgage loans.

DISCUSSION

Staff is seeking authorization from the Council to take action by initiating foreclosure on these properties where the borrowers obtained loans through the City of Oroville First Time Home Buyer Program and Rehabilitation Programs and are now deceased. The following are the properties for which staff is presenting for Council consideration:

PROPERTY DESCRIPTION	AMOUNT DUE TO PRIMARY LENDER (includes reinstatement)	AMOUNT OF CITY LOAN	VALUE BASED ON COMPARABLES
Denise Topping 1730 Veatch St.	$46,351.58	$69,350.00	$140,000.00
Shirley Booth 119 Morningstar Ave	$16,295.12	$157,283.27	$110,000.00

FISCAL IMPACT

There is no general fund impact.

Approximately $75,246.70 will be needed to cure the default on both properties, including title foreclosure fees from Fund 221, budget unit 7011, project code 1418910. There is a current available balance of $694,496.45.

RECOMMENDATIONS

Authorize the foreclosure of City's loan interest on the properties located at 1730 Veatch Street (APN 012-136-003) and 119 Morningstar Ave (APN 031-340-047)

ATTACHMENTS

Resolution No. 8753

CITY OF OROVILLE
RESOLUTION NO. 8753

A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR AND/OR CITY ADMINISTRATOR TO EXECUTE ALL DOCUMENTS AND ANY AMENDMENTS THERETO NECESSARY TO INITIATE AND COMPLETE FORECLOSURE PROCEEDINGS ON REAL PROPERTIES LOCATED AT 1730 VEATCH ST, OROVILLE (APN 012-136-003) AND 119 MORNINGSTAR AVE, OROVILLE (APN 031-340-047)

NOW THEREFORE, be it hereby resolved by the Oroville City Council as follows:

1. The Mayor is hereby authorized and directed to execute all documents and any amendments thereto necessary to initiate and complete foreclosure proceedings on 1730 Veatch Street (APN 012-136-003) and 119 Morningstar Ave (APN 031-340-047) California; and

2. The City Clerk shall attest to the adoption of this Resolution.

PASSED AND ADOPTED by the Oroville City Council at a regular meeting on November 6, 2018, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

_____
Linda L. Dahlmeier, Mayor

APPROVED AS TO FORM:

_____
Scott E. Huber, City Attorney

ATTEST:

_____
Jackie Glover, Assistant City Clerk

CITY OF OROVILLE
STAFF REPORT

TO: **MAYOR AND CITY COUNCIL MEMBERS**

FROM: **JOANNA GUTIERREZ, INTERIM CITY CLERK**
JACKIE GLOVER, ASSISTANT CITY CLERK
SCOTT E. HUBER, CITY ATTORNEY

RE: **CONFLICT OF INTEREST CODE**

DATE: **November 6, 2018**

SUMMARY

The Council may consider a Resolution to ratify the City of Oroville Conflict of Interest Code.

DISCUSSION

The State of California Fair Political Practices Commission (FPPC) requires that the local jurisdictions adopt a conflict of interest code requiring individuals holding designated positions to file Statement of Economic Interest forms and designating the Filing Officer for the local jurisdiction. The FPPC requires a review of this conflict of interest code every even year to incorporate any new regulations, requirements, or designated positions.

For the City, the FPPC Statement of Economic Interests are public records maintained by the City and (in the case of 87200 filers) by the State. These documents provide the public with information about where the filers derive their income or other benefits, have economic interest and potentially have conflicts based on these interested. The purpose of the FPPC laws and regulations is to provide transparency in interest of those who are making decisions with the public's funds.

The City has maintained and amended position titles that staff is recommending be included as designated positions to file conflict of interest statements.

FISCAL IMPACT

None.

RECOMMENDATIONS

Adopt Resolution No. 8754 – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OROVILLE, CALIFORNIA, RATIFYING THE CONFLICT OF INTEREST CODE FOR THE CITY OF OROVILLE.

ATTACHMENT

Resolution No. 8754
Resolution No. 8539

CITY OF OROVILLE
RESOLUTION NO. 8754

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OROVILLE, CALIFORNIA, RATIFYING THE CONFLICT OF INTEREST CODE FOR THE CITY OF OROVILLE

WHEREAS, pursuant to the California Government Code**,** commencing with section 87300, the City Council is required to adopt and promulgate a Conflict of Interest Code; and

WHEREAS, pursuant to the California Government Code 87302, the Conflict of Interest Code shall provide for specific enumeration of the positions within the City, other than those specified in the California Government Code 87200. Which involve in the making or participation in the making of decisions which may foreseeably have a material effect on any financial interest and for each such enumerated position, the specific types of investments, business position interests in real property and sources of income which must be reported by designated positions; and

WHEREAS, the City Council at this time wishes rescind the Conflict of Interest Code adopted by Resolution No. 7540 and to adopt a revised Conflict of Interest Code which will designate employees required to comply with the Conflict of Interest Code; and to establish a clearly defined conflict policy; and

WHEREAS, the Fair Political Practices Commission has adopted a regulation, Title 2, California Code of Regulations, section 18730, which contains the terms of a standard model Conflict of Interest Code, which can be incorporated by reference, and which may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act; and

WHEREAS, incorporation by reference of the terms of the aforementioned regulation and amendments thereto in the City's Conflict of Interest Code will save the City time and money by minimizing the actions required of that body to keep its Code in conformity with the Political Reform Act.

NOW THEREFORE, BE IT RESOLVED BY THE OROVILLE CITY COUNCIL THAT:

Section 1. Resolution No. 8539, adopted August 16, 2018 is hereby rescinded.

Section 2. The terms of Title 2, California Code of Regulations, section 18730 and any and all amendments to it adopted by the Fair Political Practices Commission are hereby incorporated by reference, as well as the attached Appendices A and B in which officials and employees are designated and disclosure categories are set forth, and constitute the Conflict of Interest Code of the City of Oroville.

Section 3. Designated employees shall file Statements of Economic Interests with the City Clerk, or their designated appointee, to whom the City Council hereby designates the authority to carry out the duties of the Filing Officer.

Section 4. The effective date of the Code shall be the date this Code is originally approved and adopted by the Oroville City Council.

Section 5. Statements of Economic Interests shall be made on forms prescribed by the Fair Political Practices Commission and supplied by the City of Oroville.

PASSED AND ADOPTED by the Oroville City Council at a regular meeting on November 6, 2018 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

_____
Linda L. Dahlmeier, Mayor

APPROVED AS TO FORM:

_____
Scott E. Huber, City Attorney

ATTEST:

_____
Jackie Glover, Assistant City Clerk

APPENDIX A
DESIGNATED POSITIONS – FULL DISCLOSURE

ADMINISTRATION
City Administrator
Assistant City Administrator
Finance Director
City Clerk
Assistant City Clerk
Successor Agency Staff

ENGINEERING/PUBLIC WORKS
City Engineer
Public Works Director

COMMUNITY DEVELOPMENT
Community Development Director
Chief Building Official
Code Compliance Officer

POLICE DEPARTMENT
Chief of Police
Police Captain

CONSULTANTS*

The positions designated above shall disclose full Categories of Disclosure:

- Investments, Stocks, Bonds, etc. (less than 10%)
- Investments, Income and Assets – Business Trusts (greater than 10%)
- Interests in Real Property
- Income & Business Position
- Income – Loans
- Income – Gifts
- Income – Gifts & Travel Payments

OROVILLE REDEVELOPMENT SUCCESSOR AGENCY OVERSIGHT BOARD
Redevelopment Successor Agency Oversight Board

DESIGNATED POSITIONS – LIMITED DISCLOSURE

COMMUNITY DEVELOPMENT
Planning Manager
Senior Planner
Associate Planner
Assistant Planner
Planning Technician
Code Compliance Officer

Limited categories of disclosure related to the conduct of your position:

- Investments, Stocks, Bonds, etc. (less than 10%)
- Investments, Income and Assets – Business Trusts (greater than 10%)
- Interests in Real Property

- Income & Business Position
- Income – Loans
- Income – Gifts
- Income – Gifts & Travel Payments

Filing requirement – Filed with City Clerk, original kept in Clerk's office.

***Consultants.** City Administrator may determine in writing, that a particular consultant, although a "designated position", is hired to perform a range of duties that are limited in scope and therefore not required to fully comply with the disclosure requirements described in this section. Written determination shall include a description of the consultant's duties and based upon that description a statement of the extent of disclosure requirements.

APPENDIX B

OFFICIALS WHO MANAGE PUBLIC INVESTMENTS

Per Government Code section 87200 and the regulations of the Fair Political Practices Commission, Title 2, Division 6, Regulation 18720 of the California Code of Regulations the positions listed below manage public investments and will file Form 700 Statement of Economic Interests:

- City Council/ Successor Agency
- City Administrator/Successor Agency Executive Director
- City Treasurer/ Successor Agency Fiscal Officer
- City Attorney/Successor Agency Counsel
- Planning Commission

Filing requirements – Filed with the City Clerk, original sent to Fair Political Practices Commission, copy retained in the Clerk's office.

CITY OF OROVILLE
RESOLUTION NO. 8539

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OROVILLE, CALIFORNIA, RATIFYING THE CONFLICT OF INTEREST CODE FOR THE CITY OF OROVILLE

WHEREAS, pursuant to the California Government Code, commencing with section 87300, the City Council is required to adopt and promulgate a Conflict of Interest Code; and

WHEREAS, pursuant to the California Government Code 87302, the Conflict of Interest Code shall provide for specific enumeration of the positions within the City, other than those specified in the California Government Code 87200. Which involve in the making or participation in the making of decisions which may foreseeably have a material effect on any financial interest and for each such enumerated position, the specific types of investments, business position interests in real property and sources of income which must be reported by designated positions; and

WHEREAS, the City Council at this time wishes rescind the Conflict of Interest Code adopted by Resolution No. 7540 and to adopt a revised Conflict of Interest Code which will designate employees required to comply with the Conflict of Interest Code; and to establish a clearly defined conflict policy; and

WHEREAS, the Fair Political Practices Commission has adopted a regulation, Title 2, California Code of Regulations, section 18730, which contains the terms of a standard model Conflict of Interest Code, which can be incorporated by reference, and which may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act; and

WHEREAS, incorporation by reference of the terms of the aforementioned regulation and amendments thereto in the City's Conflict of Interest Code will save the City time and money by minimizing the actions required of that body to keep its Code in conformity with the Political Reform Act.

NOW THEREFORE, BE IT RESOLVED BY THE OROVILLE CITY COUNCIL THAT:

Section 1. Resolution No. 7540, adopted June 15, 2010, is hereby rescinded.

Section 2. The terms of Title 2, California Code of Regulations, section 18730 and any and all amendments to it adopted by the Fair Political Practices Commission are hereby incorporated by reference, as well as the attached Appendices A and B in which officials and employees are designated and disclosure categories are set forth, and constitute the Conflict of Interest Code of the City of Oroville.

Section 3. Designated employees shall file Statements of Economic Interests with the City Clerk, or their designated appointee, to whom the City Council hereby designates the authority to carry out the duties of the Filing Officer.

Section 4. The effective date of the Code shall be the date this Code is originally approved and adopted by the Oroville City Council.

Section 5. Statements of Economic Interests shall be made on forms prescribed by the Fair Political Practices Commission and supplied by the City of Oroville.

PASSED AND ADOPTED by the Oroville City Council at a regular meeting on August 16, 2016, by the following vote:

AYES: Council Members Berry, Del Rosario, Hatley, Pittman, Simpson, Vice Mayor Chan Wilcox, Mayor Dahlmeier

NOES: None

ABSTAIN: None

ABSENT: None

Linda L. Dahlmeier, Mayor

APPROVED AS TO FORM:

Scott E. Huber, City Attorney

ATTEST:

Jamie Hayes, Assistant City Clerk

APPENDIX A
DESIGNATED POSITIONS – FULL DISCLOSURE

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Successor Agency Staff

ENGINEERING/PUBLIC WORKS
City Engineer
Public Works Director

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Chief Building Official
Code Compliance Officer

POLICE DEPARTMENT
Chief of Police
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CONSULTANTS*

The positions designated above shall disclose full Categories of Disclosure:

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OROVILLE REDEVELOPMENT SUCCESSOR AGENCY OVERSIGHT BOARD
Redevelopment Successor Agency Oversight Board

DESIGNATED POSITIONS – LIMITED DISCLOSURE

COMMUNITY DEVELOPMENT
Planning Manager
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Associate Planner
Assistant Planner
Planning Technician
Code Compliance Officer

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- Income – Loans
- Income – Gifts
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Filing requirement – Filed with City Clerk, original kept in Clerk's office.

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- City Council/ Successor Agency
- City Administrator/Successor Agency Executive Director
- City Treasurer/ Successor Agency Fiscal Officer
- City Attorney/Successor Agency Counsel
- Planning Commission

Filing requirements – Filed with the City Clerk, original sent to Fair Political Practices Commission, copy retained in the Clerk's office.

CITY OF OROVILLE
STAFF REPORT

TO: **MAYOR DAHLMEIER AND COUNCIL MEMBERS**

FROM: **BILL LAGRONE, ASSISTANT CITY ADMINSTRATOR**

RE: **RETIREMENT OF POLICE CANINE AND PURCHASE OF DRUG DETECTION CANINE AND ONE PATROL CANINE**

DATE: **NOVEMBER 6, 2018**

SUMMARY

The council will consider authorizing the Police Department to retire a Police Canine and to purchase One drug detection canine and one patrol canine.

DISCUSSION

The Police Department has recently taken a patrol canine out of service. The canine (Sammy) was involved in a violent event where the canine was injured during the apprehension of a suspect. Since being injured the canine no longer has the drive to protect or become aggressive on command. The canine is no longer useful as a patrol canine. The canine should be retired and transferred to the handler to live out it's natural life. Since the canine is public property it cannot be gifted to the handler, typically these canines are sold to the owner for one dollar.

Staff is requesting permission to purchase a new canine for patrol purposes. A suitable canine has been located. The canine is a male Belgian Malinois, 3 years old, named Ozzy. The cost of the canine is $3,000.00 plus training. The trainer has agreed to come to Oroville and train the animals and handlers for $3,500.00 plus the cost of lodging while in Oroville.

The Police Department began fundraising for the purchase and maintenance of a narcotics detection police canine. A Labrador named "Frankie" has been identified as a suitable fit. Frankie is a 10-month-old black Labrador and has been receiving narcotic detection training and obedience training.

Frankie has been examined by a veterinarian and has no medical issues preventing her from continuing as an asset to the canine program. Frankie's sale price is five thousand dollars ($5,000). Frankie will be handled by a School Resource Officer primarily in our Schools as a deterrent to not bring control substances on our campuses.

To date, eighteen thousand dollars ($18,000) has been donated by the community for a drug detecting canine.

FISCAL IMPACT:

Historically the police department receives approximately $10,000 in contributions per year for the City's K-9's.

RECOMMENDATION

Accept community donations for purchase of canine and training, and

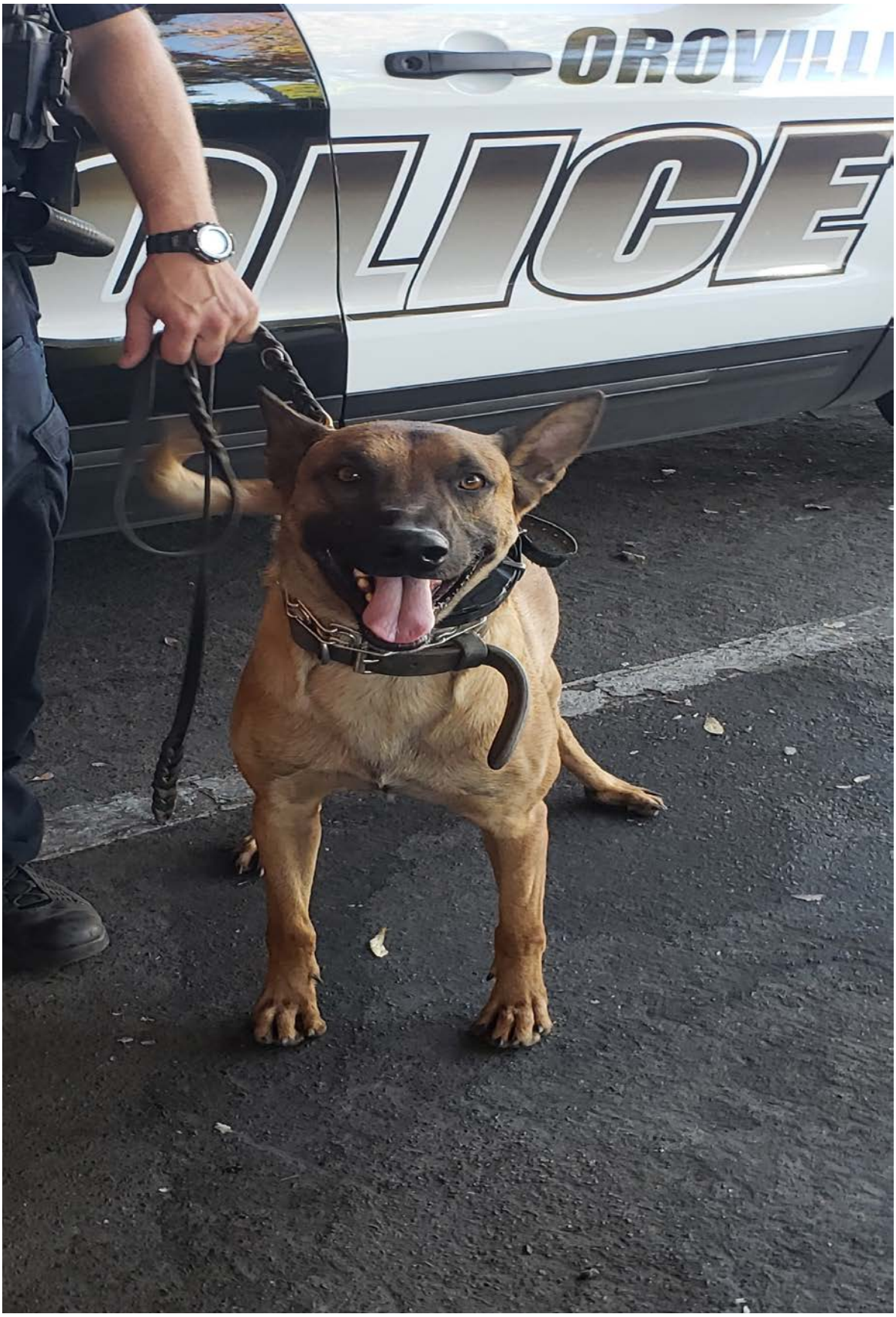
Authorize use of donation for the purchase and training of Frankie, and

Authorize Sammy to retire and be sold to handler, and

Authorize purchase and training of Ozzy

ATTACHMENTS

Photo of Frankie and Ozzy


OROVILL
POLICE

OROVILLE CITY COUNCIL
STAFF REPORT

TO: **MAYOR DAHLMEIER AND COUNCIL MEMBERS**

FROM: **BILL LAGRONE, ASSISTANT CITY ADMINISTRATOR**

RE: **SIDE LETTER TO THE MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF OROVILLE MID MANAGEMENT AND CONFIDENTIAL ASSOCIATION**

DATE: **NOVEMBER 6, 2018**

SUMMARY

The Council may consider a Side Letter to the Memorandum of Understanding (MOU) between the City of Oroville and the Oroville Mid Management and Confidential Association (OMCA), relating to Section 5 Recognition of the Oroville Mid-Manager and Confidential Association adding Article 1.1 New Employee Orientation

DISCUSSION

Staff and OMCA representatives have agreed on the attached side letter to the OMCA MOU. Assembly Bill 119 requires these terms be placed into the City's labor agreements. Specifically, the side letter would add Article 1.1 New Employee Orientation.

This side letter allows an employee who is newly hired or appointed to a classification within the association, to have an orientation meeting with Association representatives and to certain specific information. For additional details see attached side letter agreement.

Staff is recommending the approval and adoption of the attached Side Letter.

FISCAL IMPACT

None at this time

RECOMMENDATION

Adopt Resolution No. 8755 - A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE A SIDE LETTER TO THE MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF OROVILLE AND THE OROVILLE MIDMANGEMENT AND CONFIDENTIAL ASSOCIATION (Agreement No. 3083-6)

ATTACHMENTS

Resolution 8755
Agreement No. 3083-6

CITY OF OROVILLE
RESOLUTION NO. 8755

A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE A SIDE LETTER TO THE CURRENT MEMORANDUM OF UNDERSTANDING (JULY 1, 2017 TO JUNE 30, 2020) BETWEEN THE CITY OF OROVILLE MID MANAGEMENT AND CONFIDENTIAL ASSOCIATION

(Agreement No. 3083-6)

BE IT HEREBY RESOLVED by the Oroville City Council as follows:

1. The Mayor is directed and authorized to execute a side letter agreement to the current Memorandum of Understanding (July 1, 2017 to June 30, 2020) between the City of Oroville and the City of Oroville Mid Management and Confidential Association.

2. The City Clerk shall attest to the adoption of this Resolution.

PASSED AND ADOPTED by the Oroville City Council at a regular meeting on November 6, 2018 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

_____
Linda Dahlmeier, Mayor

APPROVED AS TO FORM:

_____
Scott Huber, City Attorney

ATTEST:

_____
Jackie Glover, Assistant City Clerk

THE CITY OF OROVILLE
AND
THE OROVILLE MID MANAGEMENT AND CONFIDENTIAL ASSOCIATION

Side-Letter Agreement
2017-2020 Memorandum of Understanding

The City of Oroville ("City") and the Oroville Mid Management and Confidential Association ("Association") entered into a Memorandum of Understanding (MOU) which became effective July 1, 2017 and will terminate on June 30, 2020. The purpose of this Side-Letter Agreement is to addition to section 1 adding article 1.1 of the current MOU.

SECTION 1 – Recognition of Oroville Mid-Manager and Confidential Association

New language:

1.1 New Employee Orientation

New Employee Orientation

This shall apply to new employees hired after the date of the Agreement who are appointed to a classification within the bargaining units for which the Union is recognized as the exclusively recognized employee organization.

The parties acknowledge that the City provides a new employee orientation meeting ("orientation") to all new employees hired by the City.

The parties agree that the City will notify the union via emails, to both the Labor Relations Representative and the Union Office Manager, the time, date, and location of the orientation including the number of bargaining unit employees anticipated to be in attendance 10 days prior to new hire orientations being held.

The City will allow the Union representative 30 minutes to meet with new employees at the new employee orientation. Management will excuse themselves during the Union portion of the orientation and the Union agrees in its portion of the orientation not to engage in speech that could cause substantial disruption or material interference with City activities.

The City agrees to release time for one current employee to attend these meetings and for travel time to and from the orientation. The Union will provide the City with the name of the representative on release time at least five (5) days prior to the orientation.

Information Provided

Via digital file (currently an excel spreadsheet) the City will as soon as possible, but within no more than 30 days, of hire provide the union with the new employee's:

Name Job Title Department Work Location
Work, home and personal cellular telephone numbers
Personal email addresses on file with the employer
Home address

The City will also provide the Union this same information, via digital file, on all bargaining unit members on a quarterly basis.

Notwithstanding the foregoing, limited to the express purpose of Assembly Bill 119 requirements only, an employee may opt out via written request, initiated by the employee, to the City (copy to the Union) to direct the City to withhold the disclosure of the employee's:

Home address
Personal cellular telephone number
Birth Date
Home telephone number
Personal email address

This Side-Letter Agreement modifies the original language but not the intent and the current practices of the Parties. The signatures below indicate agreement with the above-described interpretation of the relevant MOU language and further indicate that each person signing has the authority to act on behalf of his/her principals.

Dated: _____

_____	_____	_____
Steven Allen	Amy Bergstrand	Tom Lando
Chief Negotiator	President	Interim City Administrator
OMCA	OMCA	City of Oroville

OROVILLE CITY COUNCIL
STAFF REPORT

TO: **MAYOR DAHLMEIER AND COUNCIL MEMBERS**

FROM: **BILL LAGRONE, ASSISTANT CITY ADMINISTRATOR**

RE: **COUNCIL AGENDA WORDING**

DATE: **NOVEMBER 06, 2018**

SUMMARY

The Council may amend the Council agenda wording under the "Request to Address Council" heading

DISCUSSION

At the October 16, 2018 meeting of the Oroville City Council, Mr. Billy Speer raised the question and an objection to the wording of the request to address council heading. The concern is the wording outlining the process. Mr. Speer believes that first amendment rights may be violated by requiring a speaker card to be presented prior to the staff presentation of an item to the Council. Below is the wording currently being used, highlighted in red is the word of concern:

If you would like to address the Council at this meeting, you are requested to complete the blue speaker request form (located on the wall by the agendas) and hand it to the City Clerk, who is seated on the right of the Council Chamber. The form assists the Clerk with minute taking and assists the Mayor or presiding chair in conducting an orderly meeting. Providing personal information on the form is voluntary. For scheduled agenda items, please submit the form prior to the conclusion of the staff presentation for that item. Council has established time limitations of three (3) minutes per speaker on all items and an overall time limit of thirty minutes for non-agenda items. If more than 10 speaker cards are submitted for non-agenda items, the time limitation would be reduced to two minutes per speaker. If more than 15 speaker cards are submitted for non-agenda items, the first 15 speakers will be randomly selected to speak at the beginning of the meeting, with the remaining speakers given an opportunity at the end. **(California Government Code §54954.3(b))**. Pursuant to Government Code Section 54954.2, the Council is prohibited from taking action except for a brief response from the Council or staff to statements or questions relating to a non-agenda item.

Government Code §54954.3 (a) speaks to this issue. The code states the public shall be afforded an opportunity to directly address the Council on matters of public interest.

Government Code §54954.3 (b) (1) states the legislative body of a local agency may adopt reasonable regulations to ensure that the intent of subdivision (a) is carried out, including, but not limited to, regulations limiting the total amount of time allocated for public testimony on particular issues and for each individual speaker.

The Government code is clear that the Council may adopt reasonable regulations for addressing the Council.

The question remains regarding the concern of one's first amendment protections. A person's right to address the council is not prohibited by the current language. The current language is in place to establish rules of the governing body to conduct an orderly meeting. The purpose of speaking to the Council is to share your perspective and opinion on an issue. The podium is not a platform for debate with prior commenters, it is a platform for each person to express their personal opinion. The purpose of expressing an opinion is to influence the Council regarding an issue, for the betterment of the entire community.

This is not a Constitutional issue or a violation of the Government Code of California, it is an organizational item for how the meetings are conducted. It is the Council's prerogative where to leave the word "prior" or to remove it.

FISCAL IMPACT

None

RECOMMENDATIONS

Provide Staff with Direction

ATTACHMENTS

1. CA Govt Code § 54954.3 (2017)

CA Govt Code § 54954.3 (2017)
(a) Every agenda for regular meetings shall provide an opportunity for members of the public to directly address the legislative body on any item of interest to the public, before or during the legislative body's consideration of the item, that is within the subject matter jurisdiction of the legislative body, provided that no action shall be taken on any item not appearing on the agenda unless the action is otherwise authorized by subdivision (b) of Section 54954.2. However, the agenda need not provide an opportunity for members of the public to address the legislative body on any item that has already been considered by a committee, composed exclusively of members of the legislative body, at a public meeting wherein all interested members of the public were afforded the opportunity to address the committee on the item, before or during the committee's consideration of the item, unless the item has been substantially changed since the committee heard the item, as determined by the legislative body. Every notice for a special meeting shall provide an opportunity for members of the public to directly address the legislative body concerning any item that has been described in the notice for the meeting before or during consideration of that item.

(b) (1) The legislative body of a local agency may adopt reasonable regulations to ensure that the intent of subdivision (a) is carried out, including, but not limited to, regulations limiting the total amount of time allocated for public testimony on particular issues and for each individual speaker.

(2) Notwithstanding paragraph (1), when the legislative body of a local agency limits time for public comment, the legislative body of a local agency shall provide at least twice the allotted time to a member of the public who utilizes a translator to ensure that non-English speakers receive the same opportunity to directly address the legislative body of a local agency.

(3) Paragraph (2) shall not apply if the legislative body of a local agency utilizes simultaneous translation equipment in a manner that allows the legislative body of a local agency to hear the translated public testimony simultaneously.

(c) The legislative body of a local agency shall not prohibit public criticism of the policies, procedures, programs, or services of the agency, or of the acts or omissions of the legislative body. Nothing in this subdivision shall confer any privilege or protection for expression beyond that otherwise provided by law.

(Amended by Stats. 2016, Ch. 507, Sec. 1. (AB 1787) Effective January 1, 2017.)

CITY OF OROVILLE
STAFF REPORT

TO: **MAYOR DAHLMEIER AND COUNCIL MEMBERS**

FROM: **BILL LAGRONE, ASSISTANT CITY ADMINSTRATOR**

RE: **STATE THEATRE ARTS GUILD (STAGE) AGREEMENT FOR ACQUISTION AND OWNERSHIP OF THE STATE THEATRE**

DATE: **NOVEMBER 6, 2018**

SUMMARY:

Council may discuss funding the State Theatre Arts Guild (STAGE) for establishing a ten-year plan to take ownership of the State Theatre.

DISCUSSION

The City desires to partner with the local State Theatre Arts Guild (STAGE) to ensure the State Theatre remains open and operational. The City currently partners with STAGE to operate the State Theatre. The State Theatre is in the historic downtown core and is a major attraction to bring people into the downtown. The Downtown businesses need an attraction to bring people to shop and utilize services. The State Theatre seats 600 people and can bring as many as 700 people per performance into the area, and as many as 15,000 to 18,000 people per year. This is an extremely huge boost to the downtown economy. STAGE has operated the Theatre as a volunteer organization for the past 5 years. STAGE operates on a donation and volunteer basis. The City has agreed to fund up to $30,000.00 for overhead cost for the past 5 years. The cost to operate the Theatre (Electrical, gas, phone, alarm, insurance, etc.) cost approximately $75,000.00 per year. The money that the City contributes does not cover these costs and the City is looking to STAGE to pay the difference. STAGE does not have the money to pay the cost and make the necessary repairs to keep the facility operational. The Theatre is in jeopardy of closing and this economic engine for the Downtown is going to go dark.

The City desires to fund this project for the next 10 years. To offset the cost of operation for ten years it is estimated at $750,000.00. This amount would offset the cost to STAGE that the City is currently absorbing each fiscal year. At the end of the ten years STAGE will be able to assume the regular operation with no additional funding from the City.

The funding will be to continue our public / private partnership to operate this facility and to potentially create new jobs at the Theatre in the Historic Downtown Core. STAGE is seeking this funding in conjunction with Supplemental Benefit Funds funding. If STAGE'S application for funding from the SBF is unsuccessful this funding will no longer be needed due STAGE's inability to financial guarantee their future without additional funding from the City

The City Council asked for financial information regarding the STAGE. The State Theatre Arts Guild has provided their General Ledger for the past three years 2015, 2016, 2017. The GL's include all asset accounts, cash, accounts receivable, investments, and equipment owned by STAGE.

The history of STAGE finances does not demonstrate the revenues needed to support the proposed operational cost which has been estimated to be approximately $115,000 to $125,000 per year. A review of the financial statements provided shows a steady increase in fund balance; however, this fund balance will only last approximately 18 months before it will be exhausted without assistance from the City. Based upon the submitted financials from the STAGE, operating this facility will be financially difficult for the organization, and require active fund raising, Volunteers and vigilant oversight to ensure expenditures are kept at a minimum. However, since this is not a new operation their prior experience demonstrates an ability to keep the facility operational and continue with repairs. This is due to a strong group of supporters and significant annual donations to the facility and group.

STAGE was asked to provide the following items:

Board minutes for the meeting for the past year, Business plan for long term sustainability, 501 c(3) status letter from the IRS or equivalent, List of Board Members, Mission Statement, Governance Practices, Policy Manual, Roles and responsibilities of Board Members and a Code of Ethics.

STAGE provided all the requested items. All items are in good order and demonstrate a professionally ran organization. There are no known conflicts of interest between the City of Oroville and the Board of STAGE or its members. Please request to see public copies of documents for additional details.

On August 29, 2018 this project was sent to our consultant for advice and direction on how to best proceed. On September 6, 2018 staff spoke with our Bond Counsel, and Bond Consultant, to ensure this complies with the intended uses of this funding. The City's consultant team provided guidelines for the issuance of this type of Funding. Cole and Huber provided the contract for this

Funding source using those guidelines. Staff believes that this use has been vetted through all involved and meets all necessary requirements.

FISCAL IMPACT:

Reduction of Redevelopment Agency Bond residual.	
Current Balance	$3,277,685.84
Approved Projects	-$1,083,000.00
Available Balance	$2,194,685.84
Approval of project would result in a reduction of	- $750,000.00
Balance if Approved	$1,444,685.84

RECOMMENDATION

Provide staff direction.

ATTACHMENTS

Hard Copies of all requested documents available in Council Chambers.

OROVILLE CITY COUNCIL
STAFF REPORT

TO: **MAYOR AND CITY COUNCIL**

FROM: **GARY LAYMAN, CHIEF BUILDING OFFICIAL/COMMUNITY DEVELOPMENT DIRECTOR - INTERIM**

RE: **APPROVE THE MITIGATED NEGATIVE DECLARATION FOR THE OROVILLE HOSPITAL EXPANSION**

DATE: **NOVEMBER 6, 2018**

SUMMARY

The Council may consider approving the Mitigated Negative Declaration for the Oroville Hospital Expansion Project.

DISCUSSION

The approval of the Mitigated Negative Declaration (MND) of the Oroville Hospital project will allow for the hospital and staff to continue to move forward with the project and plans.

The MND was sent out for a 45 day public notice and comment period on August 15, 2018 and time started on August 20, 2018 which would have ended on October 4, 2018, comments were provided, then addressed and the revised MND went out for a 30 day public review for comment on September 25, 2018 which ended October 25, 2018 and was sent to the Clearinghouse for distribution which comment period ended on Monday October 29, 2018 at 5pm.

These time frames meet or exceed the required time frames as indicated in the 2017 California Environmental Quality Act & CEQA Guidelines.

In bullet points, the benefits of the **proposed** project are as follows:

- Increased room capacity of the existing hospital
- Provide more jobs to the Oroville area
- The newest technology in care and equipment

FISCAL IMPACT

NONE

RECOMMENDATION

Adopt Resolution 8756 - A RESOLUTION OF THE OROVILLE CITY COUNCIL AUTHORIZING AND DIRECTING THE MAYOR TO EXECUTE APPROVAL OF THE MITIGATED NEGATIVE DECLARATION FOR THE OROVILLE HOSPITAL EXPANSION PROJECT

ATTACHMENTS

Resolution No. 8756
Negative Mitigated Declaration for the Oroville Hospital Expansion
Notice of Public Hearing

THE CITY COUNCIL
OF THE CITY OF OROVILLE
RESOLUTION NO. 8756

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OROVILLE ADOPTING A MITIGATED NEGATIVE DECLARATION AND APPROVING THE OROVILLE HOSPITAL EXPANSION PROJECT (OHP 18-01)

A. **WHEREAS,** on October 25, 2018, the Planning Commission of the City of Oroville conducted a public hearing on the proposed Oroville Hospital Expansion Project ("Project") and mitigated negative declaration;

B. **WHEREAS,** the Planning Commission voted to move the mitigated negative declaration to be approved by the City Council.

NOW, BE IT HEREBY RESOLVED by the City Council of the City of Oroville:

1. Adopts a mitigated negative declaration for the Oroville Hospital Expansion Project;
2. The City Clerk shall attest to the adoption of this Resolution.

PASSED AND ADOPTED by the City Council of the City of Oroville at a regular meeting held on November 6, 2018 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

_____
Linda Dahlmeier, Mayor

APPROVED AS TO FORM:

_____
Scott E. Huber, City Attorney

ATTEST:

_____
Jackie Glover, Assistant City Clerk

Initial Study/Mitigated Negative Declaration
for

OROHEALTH HOSPITAL EXPANSION PROJECT

CEQA Lead Agency
City of Oroville
Public Works Department
1735 Montgomery Street
Oroville, CA 95965

September 28, 2018

TABLE OF CONTENTS

1.0 INTRODUCTION

This document is an Initial Study and Mitigated Negative Declaration (MND) for the proposed construction of a commercial five (5) story hospital facility expansion in Oroville California. This MND has been prepared in accordance with the California Environmental Quality Act (CEQA), Public Resources Code Sections 21000 *et seq*., and the CEQA Guidelines.

An initial study is conducted by a lead agency to determine if a project may have a significant effect on the environment. In accordance with the CEQA Guidelines, Section 15064, an environmental impact report (EIR) must be prepared if the initial study indicates that the proposed project under review may have a potentially significant impact on the environment.

A negative declaration may be prepared instead, if the lead agency prepares a written statement describing the reasons why a proposed project would not have a significant effect on the environment, and, therefore, why it does not require the preparation of an EIR (CEQA Guidelines Section 15371). According to CEQA Guidelines Section 15070, a negative declaration shall be prepared for a project subject to CEQA when either:

a) The initial study shows there is no substantial evidence, in light of the whole record before the agency, that the proposed project may have a significant effect on the environment, or

b) The initial study identified potentially significant effects, but:

(1) Revisions in the project plans or proposals made by or agreed to by the applicant before the proposed negative declaration is released for public review would avoid the effects or mitigate the effects to a point where clearly no significant effects would occur, and

(2) There is no substantial evidence, in light of the whole record before the agency, that the proposed project as revised may have a significant effect on the environment.

If revisions are adopted into the proposed project in accordance with the CEQA Guidelines Section 15070(b), a mitigated negative declaration is prepared.

1.1 LEAD AGENCY

The lead agency is the public agency with primary responsibility over a proposed project.

CEQA Guidelines Section 15051 provides criteria for identifying the lead agency. In accordance with CEQA Guidelines Section 15051(b)(1), “the lead agency will normally be the agency with general governmental powers, such as a city or county, rather than an agency with a single or limited purpose.” Based on these criteria, the City of Oroville, Planning Division serves as lead agency for the proposed project.

1.3 PURPOSE AND DOCUMENT ORGANIZATION

The purpose of this Initial Study is to evaluate the potential environmental impacts of the proposed construction of a new commercial facility proposed by Oroville Hospital located in Oroville, Butte County, California.

This document is divided into the following sections:

• 1.0 **Introduction** - Provides an introduction and describes the purpose and organization of this document;

• 2.0 **Project Description** - Provides a detailed description of the proposed project;

• 3.0 **Environmental Setting, Impacts and Mitigation Measures** - Describes the environmental setting for each of the environmental subject areas, evaluates a range of impacts classified as "no impact," "less than significant," "less than significant with mitigation incorporated," or "potentially significant" in response to the environmental checklist;

• 4.0 **Sources** - Identifies references used;

2.0 PROJECT DESCRIPTION

2.1 PROJECT LOCATION

(Figure 2-1.1, 2-1.2 & 2-1.3) The Oroville Hospital Expansion (Project) is located on an approximately 15.8-acre project site, at 2767 Olive Highway/State Route 162 (SR 162) in the City of Oroville, Butte County, California, approximately 2 miles east of State Route 70 (SR 70). The site is bounded by SR 162 to the southwest, Gilmore Lane to the north (which terminates into Oroville Dam Boulevard to the west), and Medical Center Drive to the east and southeast. Refer to Figure 2-1.2 – Vicinity and Location Map.

The existing Oroville Hospital facility and associated uses are located on two parcels: 013-260-068 and 013-260-080, totaling 13.0 acres. The new medical center wing and associated parking facilities will encompass an additional eight parcels: 013-260-063, 013-190-002 through 005, 013-190-027, 013-190-028, and 013-190-055, totaling 2.8 acres. Refer to Figure 2-1.3 – Parcel Numbers.

The site is centered at about 39°30'22.91N latitude and -121°32'30.24"W longitude. The site is located in Section 17, Range 04E, Township 19N, Oroville USGS 7.5' Quad.

Figure 2-1.1
Regional Location Map

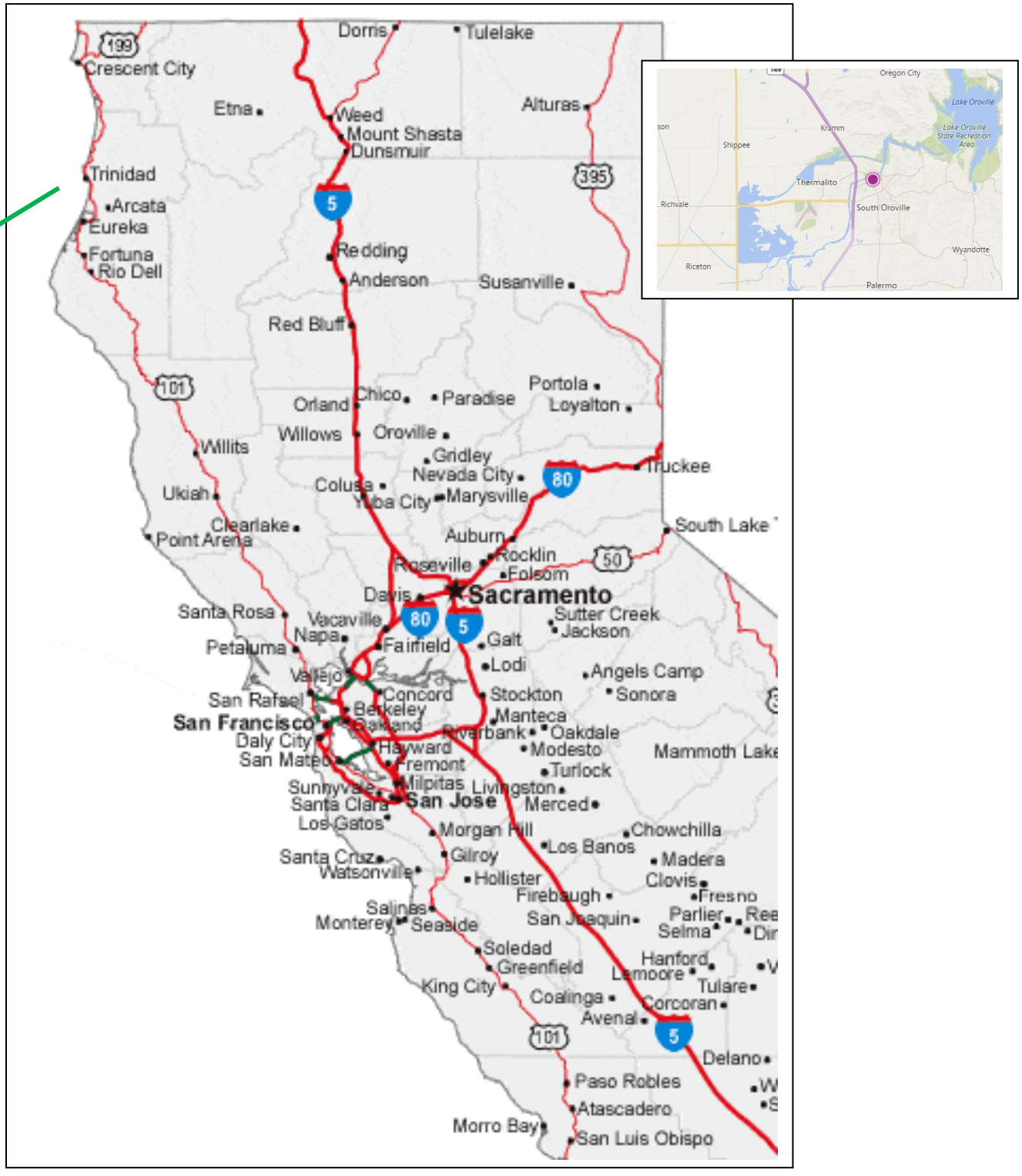


Figure 2-1.2
Project Location Map

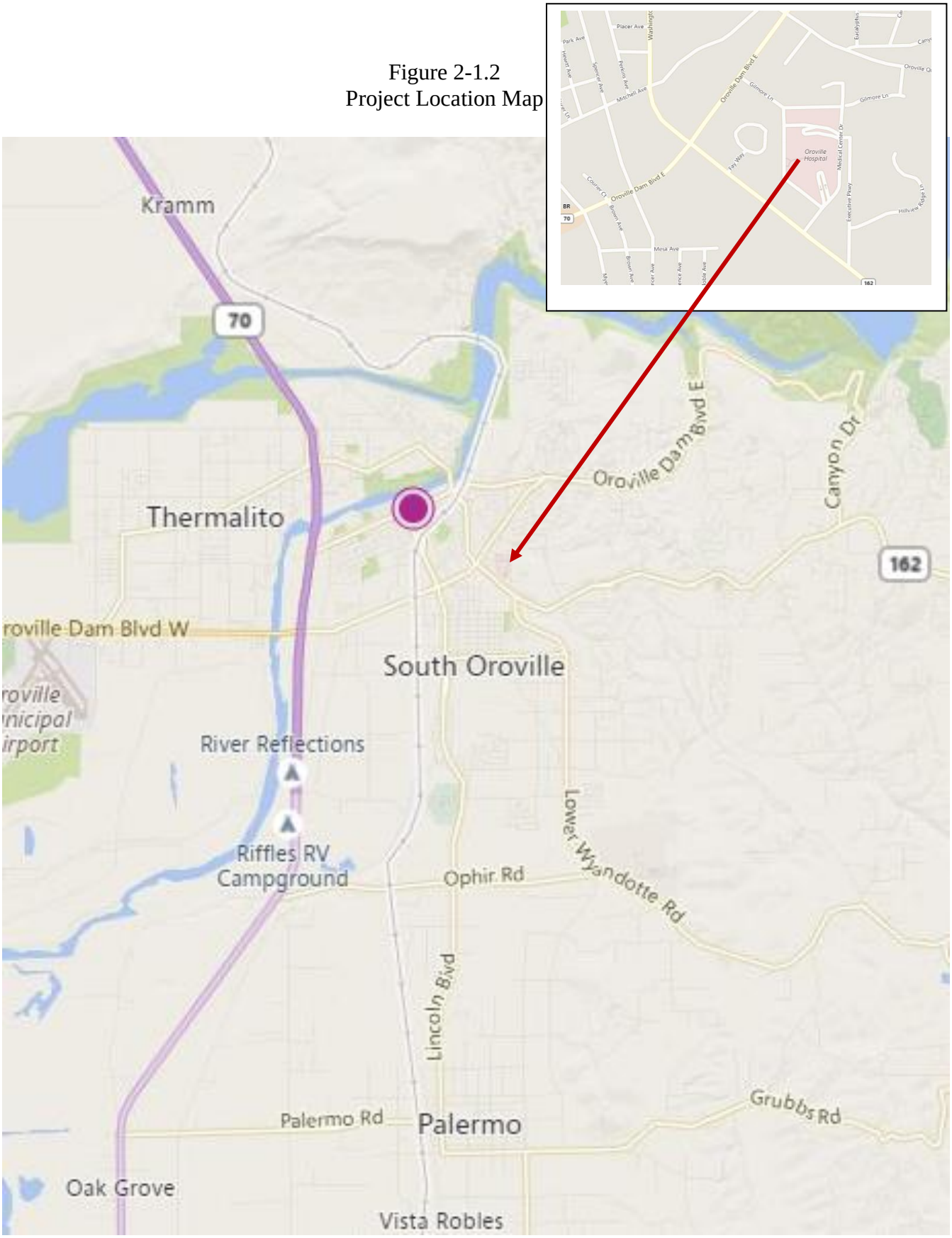
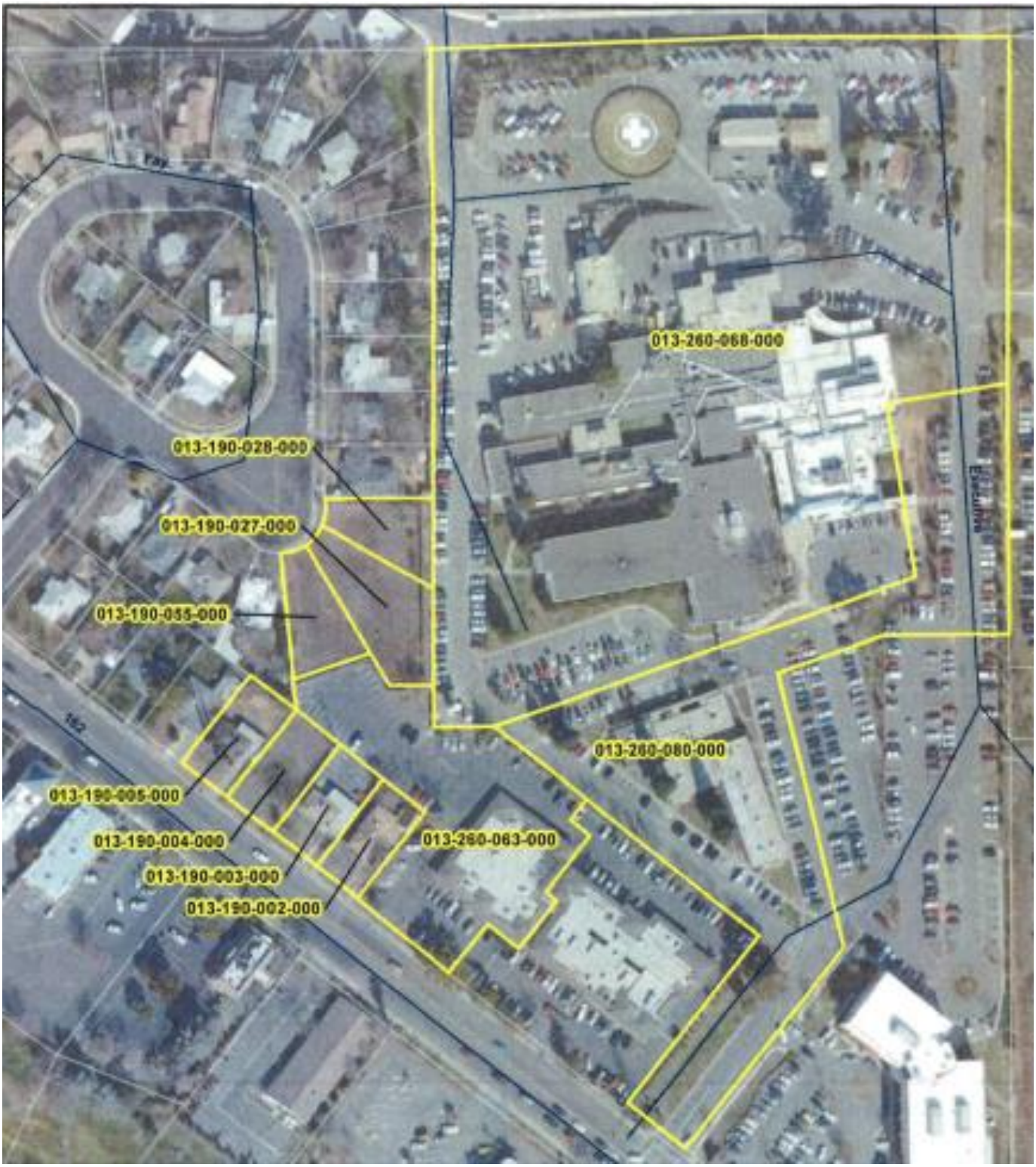


Figure 2-1.3
Project Location Map



2.2 PROJECT DESCRIPTION

The proposed Project is intended to expand and modernize healthcare delivery which will allow Oroville Hospital to provide expanded patient care services to the City of Oroville and surrounding region. As the primary provider of healthcare services in the area, it is essential that services be updated to provide state-of-the-art care to the community.

The objectives of the proposed Project are:

1. Provide state-of-the-art care to the City of Oroville and Butte County in a manner that maximizes the benefits to health care delivery services by linking inpatient, outpatient, and physician office visits in an efficient and cohesive manner. Connect services using the most efficient layout possible on the existing site which will create an operationally efficient and cohesive medical facility.
2. Develop an integrated facility contiguous to the existing Hospital boundary that provides for expansion and growth of services including the addition of approximately 108 single occupancy patient beds.
3. To provide additional employment opportunities for the residents of the City of Oroville.
4. To increase Hospital operational efficiencies and capacity by providing expanded services including an Outpatient Surgery Center, Women's and Children's Center, Intensive Care Unit (ICU), and medical/surgical beds.
5. To provide an expanded first class medical facility that is easily accessed by individuals living within the primary service area of Oroville Hospital.
6. To fulfill the community's expectation of the Hospital to provide necessary patient care capacity to accommodate the expanding healthcare needs of a growing region.
7. To allow for uninterrupted operation of medical services currently provided at Oroville Hospital and maintain continuity of care.
8. To provide additional parking to meet the City of Oroville's developed standards published in the Oroville Municipal Code Section 17.12.070 Parking.
9. To replace existing utilities to accommodate the expansion.
10. Demolish existing buildings that are not currently used for medical purposes to create a contiguous and integrated medical facility.
11. To rezone contiguous parcels that will be part of the medical facility to PQ-Quasi Public to maintain consistency in zoning classifications

Existing Project Site

General Plan and Zoning Designations

Parcel Number	General Plan Designation	Zoning Classification
013-260-068	Public (PU)	Public/Quasi-Public (PQ)
013-260-080	Public (PU)	Public/Quasi-Public (PQ)
013-260-063	Mixed Use (MU)	Corridor Mixed Use (MXC)

013-190-002 to 005	Mixed Use (MU)	Corridor Mixed Use (MXC)
013-190-055	Mixed Use (MU)	Corridor Mixed Use (MXC)
013-190-027 and 028	Mixed Use (MU)	Corridor Mixed Use (MXC)

General Plan

The 2030 General Plan Land Use designation for the project site parcels are Public (PUB) and Mixed Use (MU). Public (PUB) generally refers to schools, governmental offices, the Oroville Municipal Airport, local cemeteries and other facilities that have a unique public character, such as Oroville Hospital. Mixed use (MU) development allows or encourages different but compatible uses to be located in close proximity to each other. The MU designation allows for both residential and commercial uses. This designation applies to urban areas with major roads, adequate infrastructure and amenities to support higher densities. **Figure 3 – Planning.**

Figure 3 – Planning

Existing Oroville Hospital Facilities

Existing Oroville Hospital Facilities Founded in 1962, Oroville Hospital is a private, non-profit corporation serving the citizens of the Oroville area and Butte County. The project site parcels consist of the Oroville Hospital facility including the main Hospital (APN 013-260-068); an administrative office building immediately to the south (APN 013-260-080); and a medical office building (APN 013-260-063). The Olive Pharmacy and the Crystal Medical Office Building/OroHealth Medical Plaza are located along the southern project area adjacent to SR 162.

Surrounding Land Uses

The 2030 General Plan Land Use designation for land surrounding the project site is Mixed Use (MU). Residential land uses are located west of the project site; Gilmore Acres and the Shadowbrook Health Care facilities are located to the north across Gilmore Lane; office and medical facilities are located along the eastern boundary, east of Executive Parkway; and commercial and retail uses are located to the south across Olive Highway/SR 162.

Overview

The Oroville Hospital Expansion Project will result in the addition of 108 beds through the development of a new 5-story medical center wing. The new facility would be located on the south side of the existing Hospital. The new medical center wing will operate 24/7 providing needed health care to the surrounding community. The new facility will provide an Outpatient Surgery Center, Women's and Infant's Center, ICU and two floors consisting of 70 new Medical/Surgical beds. The building will be an integral part of existing overall health services provided by Oroville Hospital and will operated under the Hospital license. The Project will consist of the following elements:

- A new 5-story medical center wing totaling approximately 158,900 square feet
- Demolition of a portion of the existing administrative office buildings
- Relocation of existing Liquid Oxygen facilities on the western edge of the site
- Demolition and replacement of existing utilities serving the existing Hospital
- Access and parking improvements

Project characteristics

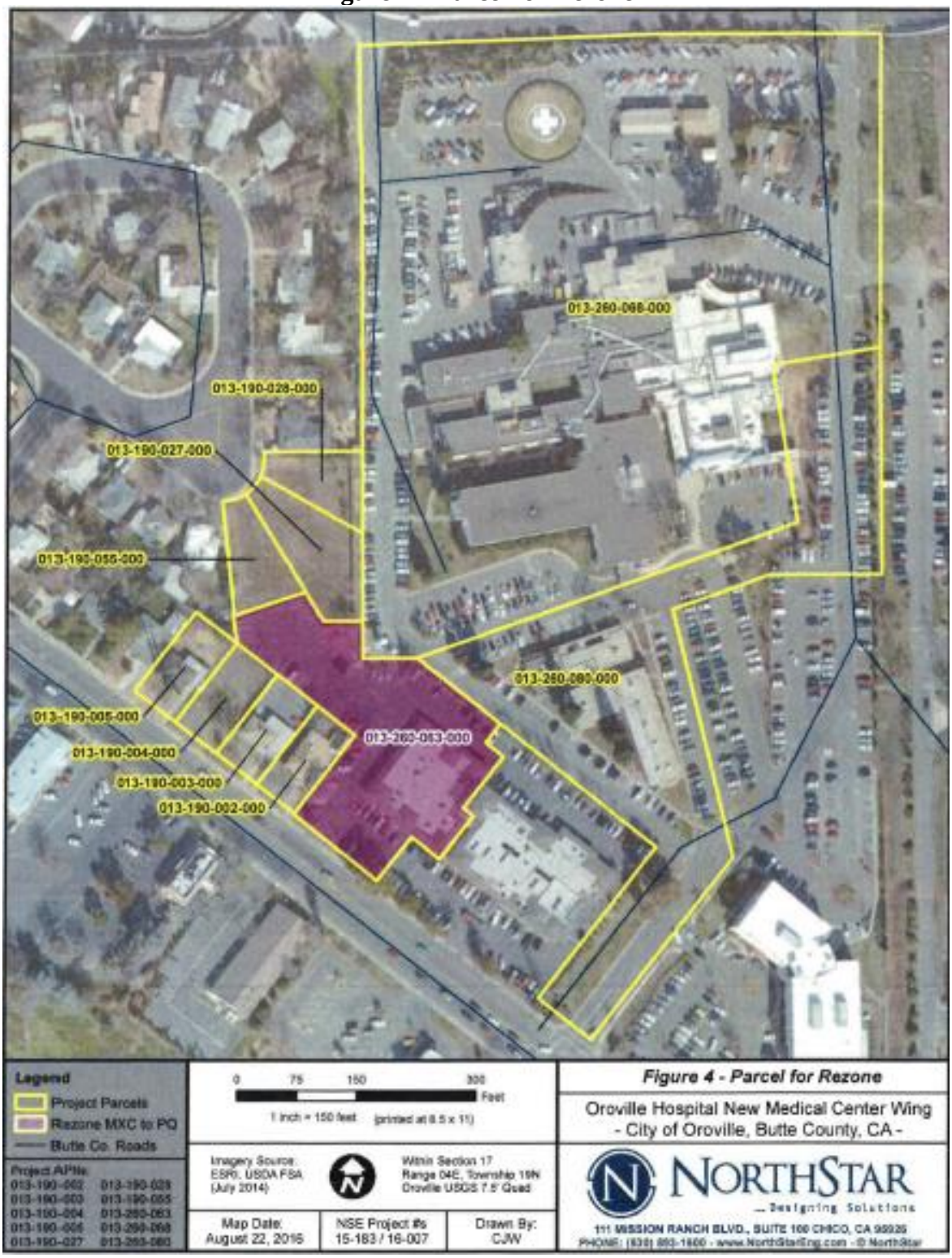
General Plan Amendment/Rezone

Parcel 013-260-063 would change from a Mixed Use (MU) land use designation to Public (PU) and a Corridor Mixed Use (MXC) to Quasi-Public (PQ), **Figure 4 – Parcel for Rezone.**

Parcel Number	Existing General Plan Designation	Proposed General Plan Designation	Zoning Classification	Proposed Zoning Classification

013-260-063	Mixed Use (MU)	Public (PU)	Corridor Mixed Use (MXC)	Public/Quasi-Public (PQ)

Figure 4 – Parcel for Rezone



Lot Line Adjustment/Parcel Merger

To accommodate the new medical center wing a lot line adjustment and/or parcel merger would be necessary so that the building does not cross parcel lines. A lot line adjustment and/or parcel merger are considered "ministerial projects" and are exempt from the requirements of California Environmental Quality Act (CEQA Section 15268). Lot line adjustments and parcel mergers do not cause any physical changes to the project site and are not discretionary actions.

Variance

The PQ zone allows for a maximum building height of 50 feet. Given that the height of the new medical center wing is 85 feet above the adjacent grade, the facility will require a variance by the City through a use permit.

Site Plan

The new medical center wing will be located south of the existing Hospital facility. The proposed building is a 5-story rectangular structure, approximately 85-feet in height. The building will serve as the primary entrance to the Hospital.

Site access to the new wing will be provided from Medical Center Drive utilizing the same site access aprons off Olive Highway/SR 162, Gilmore Lane and Executive Parkway. Parking will be added along the southern and western portion of the site.

The new medical center wing will be connected to the existing Hospital on two levels. All utilities for the new facility will be contained within the new building. The west end of the building will contain MEP rooms and an exterior equipment yard for chillers, a cooling tower, generator and fuel tank. Additional mechanical equipment will be located on the roof in a screened enclosure. The Project is designed to minimize excavation and earthwork, it is assumed that no net export of fill from the site will be required.

Building Design

The new medical center wing façade will consist of glass and will use special glazing features to emphasize the main entrance on the south face and as an identifying feature on the west face. The west and north facades will be anchored at the first floor levels by a stone or cementitious base material with glazed walls above. The roof equipment screen will be a metal screen wall assembly.

The entrances are demarcated by cantilevered glass canopy structures designed to reinforce/identify the main entrance and provide weather protection for patients being dropped off or picked up at the facility. A roof garden has been identified for the lower roof of the facility providing a secure ambulation area for mothers directly adjacent to the second floor Women's and Infant's Center.

The building will be designed with high performance glazing to minimize energy consumption and to meet Title 24 requirements for Hospital energy usage as well as Cal Green requirements.

A-10

View Looking Northwest

A-13

View Looking Southeast

The overall building is organized as follows:

First Floor

- New Hospital entrance with two story atrium and public spaces including waiting.
- Secondary east entry
- Connection to existing Hospital
- Inpatient and Outpatient Prep / Recovery
- Outpatient Procedure Center (8 procedure rooms)
- Main mechanical and electrical rooms
- Service utility yard
- Access to gardens between new and existing buildings

Second Floor

- Women's and Infant program including 5 Post-Partum Beds and 9 LDRP Beds
- Connection to existing Hospital
- Roof garden

Third Floor

- 24 ICU Beds (two 12-Bed units)

Fourth and Fifth Floors

- 35 Bed Medical/Surgery unit on each floor

Roof

- Mechanical equipment in screened enclosure

Landscaping

The Project includes several landscaped outdoor spaces, including a large landscaped healing garden between the new and existing wings of the facility, an entry garden feature on the east face of the building, and a large green roof element on the north face of the building. In addition, all parking areas will be landscaped and lighted in accordance with city planning requirements.

Landscaping on the grounds and parking lots would consist of trees, shrubs and groundcover. Plant material would be chosen for its compatibility with macro/microclimatic conditions of the region and site, tolerance of drought conditions, longevity, screening cap abilities and overall attractiveness.

Enhanced paving would also be utilized in front of the main entrance and would extend along outdoor walkways.

Internal Circulation

Medical Center Drive will provide primary access to the new wing as well as the central portion of the project site. Future improvements to the existing driveway on Olive Highway/SR 162 would provide vehicular egress from the new medical wing and new parking facilities to Olive Highway/SR 162. Access to the northern portion of the site is provided via Gilmore Lane, which connects to Oroville Dam Boulevard (an east-west connector to State Route 70).

Parking facilities will be developed to support both new and existing functions on the overall Hospital campus. New parking will be provided along the western portion of the project site to replace existing parking being removed for the new medical center wing. Remaining parking facilities will be reconfigured to improve connections between existing and new parking lots. The proposed Project would provide a total of 194 parking spaces.

Lighting

Exterior lighting would be provided within the parking lots on the project site. Proposed lighting would be designed so that the lights are shielded or directed in such a way that there would be no impact on the adjacent land uses or nearby residences. In addition to the exterior lighting fixtures, the project site would include additional low-level lighting for security and identification purposes.

Infrastructure and Utility Improvements

Storm Drainage

The project site is within a storm drainage tributary basin that has seen flooding in low lying areas adjacent to open channel flow and the City of Oroville storm drainage detention basins. As a result of this flooding and the new state required Low Impact Design (LID) requirements for storm water include both quantity and quality improvements on-site. The southern half of the Hospital drains to two storm drainage lines crossing Olive Highway/SR 162 that are connected to the Hospital's storm drainage system, consisting of 24" and 30" lines. The existing capacities of these offsite pipes are adequate for their existing basins. A majority of the new medical center wing's storm water will be directed to the 24" western pipe crossing.

Prior to leaving the site, storm water will be treated and detained. The concept design has located five areas where bio-cells would be constructed to accept surface runoff. The bio-cells will detain storm water allowing them to filter through prepared media (sand and compost blend) removing constituents while giving plants and native soils opportunity to absorb runoff. Remaining runoff will be collected by underdrains and discharged to the existing Olive Highway storm water crossings.

Sanitary Sewer

Sewer mains exist in the area of the Project including a looped 6" main to the west of the new wing that serves portions of the existing Hospital and the upper building that is being removed to accommodate the proposed Project as well as many of the residential houses to the west.

The proposed Project would result in a new connection to the existing 15" sewer line in Olive Highway. The new line would be 8" and equipped with an emergency sewer overflow storage tank (as require by OSHPD) per plumbing plans. Connection to the Olive Highway/SR 162 sewer line will require a CalTrans encroachment permit.

Water: California Water Service Company

There is an existing 8" Cal Water line in Olive Highway/SR 162 as well as one to the north of the Hospital in Gilmore Lane. The eastern edge of the Hospital property is also the eastern boundary of the Cal Water service area. A Cal Water hydrant test on Gilmore Lane indicates that water pressures are steady in the area and typically around 65 psi. The new medical facility wing will require both a reserve water storage supply and at least 6" domestic water line with booster pumping (to provide pressure to upper floors). To achieve this, the Project is proposing a new meter on Olive Highway/SR 162 nearest to the southwest corner of the new wing. It is anticipated that this service will supply both the new wing and a portion of the existing Hospital.

Separate from the domestic water system there is a private Hospital owned fire loop that connects backflow protected fire extensions on Gilmore Lane and Olive Highway and loops around the Hospital providing private fire hydrants and services to fire sprinklers. The new wing will require the re-routing of this fire loop around the building and the setting of two new fire hydrants making 5 fire hydrants total to maintain a 450' maximum hydrant separation on the existing and new areas.

Gas Service

There is an existing 2" gas main along the north side of Olive Highway/SR 162 with a 2" branch line running north adjacent to existing overhead pole just to the west of the proposed medical center wing. This north running gas main serves a portion of the Hospital as well as the buildings being removed directly under the new wing footprint. Gas service to the new wing will be provided from the existing 2" main onsite.

Electrical Service

Existing overhead electrical lines run north and south on the western edge of the property. Existing drop poles route the main power to the front (south side) of the existing Hospital. These underground lines will be relocated to accommodate the new medical center wing and as designed by PG&E.

Project phases

The Project is a single-phase project with preparatory efforts preceding the new medical center wing development as follows:
Make-ready projects:

- Existing office building demolition, Hospital canopy demolition and pad preparation
- Relocation of existing utilities including electricity, phone, water, sewer and storm drainage
- Relocation of existing liquid oxygen facility
- Installation of new driveways as required to maintain fire access
- Construct new medical center wing
- Reconfigure parking and access improvements

Required permits and approvals

The Oroville Hospital Expansion Project will need to acquire the following approvals to proceed with the Project:

- General Plan Amendment/Rezone
- Use Permit
- Variance
- Lot Line Adjustment and/or Parcel Merger
- Demolition Permit
- Art Installation

In addition to the above, other permits or approvals that will likely be required for the proposed Project include:

- Office of Statewide Health Planning and Development (OSHPD). OSHPD is the State agency which acts as the governing entity for the design review and construction of all hospital projects by specialty experts in the field of hospital sanitation, gases, construction, health and wellness, and occupant safety in the construction and build process.
- National Pollutant Discharge Elimination System (NPDES) Construction General Permits for grading activities of 1-acre or larger. The NPDES permit program addresses water pollution by regulating point sources that discharge pollutants to waters of the United States.
- California Department of Transportation (Caltrans) Encroachment Permit. Caltrans is the State agency that oversees the traffic safety and impacts on State Highways for present and future traffic and pedestrian flow.

2.3 PROJECT CONSTRUCTION

The project would be constructed in accordance with the State of California Department Office of Statewide Health and Planning Development Plans and Standard Specifications, the most current version of the California Title 24 Building, Fire, Plumbing, Mechanical, Electrical, Energy and Green Building code, the City of Oroville Municipal Code and the Approved Project Plans.

Construction would include excavation, loading, truck transport and grading, using both heavy duty and light-duty construction equipment. Specific equipment to be utilized may include, but is not limited to, track-mounted excavators, dump trucks, backhoes, graders, compactors and dozers. Estimated construction time is two-three years.

The project is required to provide mitigation of project effects:

• Construction water quality control measures (including BMPs);

• Provision of fugitive dust plan mitigation plan;

• Protection measures for discovered paleontological and cultural resources during construction activities;

• Temporary fencing will be installed around some of the staging areas in order to avoid disturbance of adjoining areas and/or contain construction equipment after-hours;

3.0 ENVIRONMENTAL SETTING, IMPACTS AND MITIGATION MEASURES

Environmental Checklist Initial Study

1. Project title: Oro-health Oroville Hospital Expansion

2. Lead agency name and address: City of Oroville, Planning Department, 1735 Montgomery Street, Oroville, CA 95965

3. Contact person and phone number: Gary Layman, 530-538-2428

4. Project location: 2767 Olive Hwy (State Hwy 162); APN 013-260-063-000, Oroville, CA 95966,

5. Project sponsor's name and address: Robert Wentz, Oroville Hospital, 2767 Olive Hwy (State Hwy 162), Oroville, CA 95965

6. General Plan designation: Public (PU) and Mixed Use (MU)

7. Zoning: Public/Quasi-Public (PQ) and Corridor Mixed Use (MXC)

8. Construct new hospital facility (approx. 158,900 sqft.):

• Adding a new hospital facility (approx. 158,900 sqft.) with 108 beds

• Removing 29,570 square feet of existing Clinic buildings

• Removing five existing single family residential units

• Removing 30 beds from existing hospital facility

15.8-acre project site in the City of Oroville, Butte County. Entitlements for the planned plant expansion project will be subject to the City's review process, which will include the applicable environmental review, and will include any applicable City land development regulations. For example, the hospital expansion will involve a grading permit. Since the project is over one acre in size, the grading operation will be subject to the City's grading ordinance and a State of California Storm Water Pollution Prevention Plan.

9. Surrounding land uses and setting. The project is located in and around a rural residential housing and undeveloped land to the South.

10. Other agencies whose approval is required: U.S. Department of Transportation, California Regional Water Quality Control Board and the State of California Department Office of Statewide Health and Planning Development.

Environmental Setting: The project is a largely unimproved, disturbed, vacant property approximately 15.8 acres in size located on Olive Hwy. The property is bordered by residential development to the north and west, fast food and commercial offices to the south, and the Oroville Hospital Post-Acute Center and Prestige Assisted Living to the East. Much of the surrounding area is developed. The property on the south/east side of Executive Pkwy is unimproved.

Site topography is generally flat with an elevation of approximately 180 feet above sea level. A majority of the site is covered with buildings, asphalt, concrete and landscaped areas.

Public Agency Approvals:

1. General Plan Amendment and Re-zone (City of Oroville)
2. Prior to development, Architectural Review (City of Oroville)
3. Grading Permit (City of Oroville)
4. Building Permit (City of Oroville/Office of Statewide Health Planning and Development)

ENVIRONMENTAL FACTORS POTENTIALLY AFFECTED

The environmental factors checked below would be potentially affected by this project, involving at least one impact that is a "Potentially Significant Impact" as indicated by the checklist on the following pages.

Aesthetics		Agriculture and Forestry Resources		Air Quality	
Biological Resources	X	Cultural Resources		Geology/Soils	
Greenhouse Gas Emissions		Hazards & Hazardous Materials		Hydrology/Water Quality	
Land Use/Planning		Mineral Resources		Noise	
Population/Housing		Public Services		Recreation	
Transportation/Traffic	X	Tribal Cultural Resources		Utilities/Service Systems	
Mandatory Findings of Significance					

Source 2017 California Environmental Quality Act & CEQA Guidelines page 331

DETERMINATION

On the basis of this initial evaluation:

☐ *I find that the Proposed Project COULD NOT have a significant effect on the environment, and a NEGATIVE DECLARATION will be prepared.*

X *I find that although the Proposed Project could have a significant effect on the environment, there will not be a significant effect in this case because revisions in the project have been made by or agreed to by the applicant. A MITIGATED NEGATIVE DECLARATION will be prepared.*

☐ *I find that the Proposed Project MAY have a significant effect on the environment, and an ENVIRONMENTAL IMPACT REPORT is required.*

☐ *I find that the proposed project MAY have a "potentially significant impact" or "potentially significant unless mitigated" on the environment, but at least one effect 1) has been adequately analyzed in an earlier document pursuant to applicable legal standards, and 2) has been addressed by mitigation measures based on the earlier analysis as described on attached sheets. A ENVIRONMENTAL IMPACT REPORT is required, but it must analyze only the effects that remain to be addressed.*

☐ *I find that although the proposed project could have a significant effect on the environment, because all potentially significant effects (a) have been analyzed adequately in an earlier EIR pursuant to applicable standards, and (b) have been avoided or mitigated pursuant to that earlier EIR, including revisions or mitigation measures that are imposed upon the proposed project, nothing further is required.*

_____	*September 17, 2018*
Signature	*Date*
Gary D Layman	*Community Development Department*
Printed Name	*For: City of Oroville, California*

EVALUATION OF ENVIRONMENTAL IMPACTS

1) A brief explanation is required for all answers except "No Impact" answers that are adequately supported by the information sources a lead agency cites in the parentheses following each question. A "No Impact" answer is adequately supported if the referenced information sources show that the impact simply does not apply to projects like the one involved (e.g., the project falls outside a fault rupture zone). A "No Impact" answer should be explained where it is based on project-specific factors as well as general standards (e.g., the project will not expose sensitive receptors to pollutants, based on a project-specific screening analysis).

2) All answers must take account of the whole action involved, including off-site as well as on-site, cumulative as well as project-level, indirect as well as direct, and construction as well as operational impacts.

3) Once the lead agency has determined that a particular physical impact may occur, then the checklist answers must indicate whether the impact is potentially significant, less than significant with mitigation, or less than significant. "Potentially Significant Impact" is appropriate if there is substantial evidence that an effect may be significant. If there are one or more "Potentially Significant Impact" entries when the determination is made, an EIR is required.

4) "Negative Declaration: Less Than Significant With Mitigation Incorporated" applies where the incorporation of mitigation measures has reduced an effect from "Potentially Significant Impact" to a "Less Than Significant Impact." The lead agency must describe the mitigation measures, and briefly explain how they reduce the effect to a less than significant level.

5) Earlier analyses may be used where, pursuant to the tiering, program EIR, or other CEQA process, an effect has been adequately analyzed in an earlier EIR or negative declaration. Section 15063(c)(3)(D). In this case, a brief discussion should identify the following:

a) Earlier Analysis Used. Identify and state where they are available for review.

b) Impacts Adequately Addressed. Identify which effects from the above checklist were within the scope of and adequately analyzed in an earlier document pursuant to applicable legal standards, and state whether such effects were addressed by mitigation measures based on the earlier analysis.

c) Mitigation Measures. For effects that are "Less than Significant with Mitigation Measures Incorporated," describe the mitigation measures which were incorporated or refined from the earlier document and the extent to which they address site-specific conditions for the project.

6) Lead agencies are encouraged to incorporate into the checklist references to information sources for potential impacts (e.g., general plans, zoning ordinances). Reference to a previously prepared or outside document should, where appropriate, include a reference to the page or pages where the statement is substantiated.

7) Supporting Information Sources: A source list should be attached, and other sources used or individuals contacted should be cited in the discussion.

8) This is only a suggested form, and lead agencies are free to use different formats; however, lead agencies should normally address the questions from this checklist that are relevant to a project's environmental effects in whatever format is selected.

9) The explanation of each issue should identify:

a) The significance criteria or threshold, if any, used to evaluate each question; and

b) The mitigation measure identified, if any, to reduce the impact to less than significance.

ENVIRONMENTAL CHECKLIST

The following Checklist contains the environmental checklist form presented in Appendix G of the CEQA Guidelines. The checklist form is used to describe the impacts of the proposed project. A discussion follows each environmental issue identified in the checklist. Included in each discussion are project-specific mitigation measures recommended as appropriate as part of the proposed project.

For this checklist, the following designations are used:

1) Potentially Significant Impact: An impact that could be significant, and for which mitigation has not been identified. If any potentially significant impacts are identified, an EIR must be prepared.

2) Potentially Significant Unless Mitigation Incorporated: An impact that requires mitigation to reduce the impact to a less-than-significant level.

3) Less-Than-Significant Impact: Any impact that would not be considered significant under CEQA relative to existing standards.

4) No Impact: The project would not have any impact.

I. AESTHETICS. Would the project:

Issues	*Potentially Significant Impact*	Less Than Significant with Mitigations Incorporated	*Less-Than-Significant Impact*	*No Impact*
a) Have a substantial adverse effect on a scenic vista?				X
b) Substantially damage scenic resources, including, but no limited to, trees, rock outcroppings, and historic buildings within a state scenic highway?				X
c) Substantially degrade the existing visual character or quality of the site and its surroundings?			X	
d) Create a new source of substantial light or glare which would adversely affect day or night views in the area?			X	

2017 California Environmental Quality Act & CEQA Guidelines page 333

Discussion

a-d. The City of Oroville is located in Butte County at the intersection of State Highway 70 and State Highway 162 in the Sacramento Valley. The core of Oroville consists of residential, commercial, and industrial uses. The area surrounding the City primarily consists of agriculture and undeveloped land. State Highway 70 and State Highway 162 which run through the City, has not been identified as a State scenic highway.

The expansion is to replace existing out dated buildings and to provide additional beds to accommodate the current demand.

Development of the project will include lighting sources not currently present at portions of the site. Lighting sources will include lighting in the parking area surrounding the medical office building, exterior lighting on the building façade, and lighting sources inside the building. All exterior lighting is required to adhere to the City of Oroville Municipal Code (COC) standards regarding full cut off designs and downward orientation to reduce glare. The compliance with all applicable COC requirements and standards will be verified by City of Oroville Planning and Engineering staff. Therefore, impacts regarding light or glare that could affect day or nighttime views would be considered Less Than Significant.

Finding

No impacts are expected.

II. AGRICULTURAL AND FORESTRY RESOURCES. In determining whether impacts to agricultural resources are significant environmental effects, lead agencies may refer to the California Agricultural Land Evaluation and Site Assessment Model (1997) prepared by the California Department of Conservation as an optional model to use in assessing impacts on agriculture and farmland. In determining whether impacts to forest resources, including timberland, are significant environmental effects, lead agencies may refer to information compiled by the California Department of Forestry and Fire Protection regarding the state's inventory of forest land, including the Forest and Range Assessment Project and the Forest Legacy Assessment project; and forest carbon measurement methodology provided in Forest Protocols adopted by the California Air Resources Board. Would the project:

	Potentially Significant Impact	Less Than Significant with Mitigations Incorporated	Less-Than-Significant Impact	No Impact
a) Convert Prime Farmland, Unique Farmland, or Farmland of Statewide Importance (Farmland), as shown on the maps prepared pursuant to the Farmland Mapping and Monitoring Program of the California Resources Agency, to non-agricultural use?				*X*
b) Conflict with existing zoning for agricultural use, or a Williamson Act contract?				*X*
c) Conflict with existing zoning for, or cause rezoning of, forest land (as defined in Public Resources Code section 12220(g)), timberland (as defined by Public Resources Code section 4526), or timberland zoned Timberland Production (as defined by Government Code section 51104(g))?				*X*
d) Result in the loss of forest land or conversion of forest land to non-forest use?				*X*
e) Involve other changes in the existing environment which, due to their location or nature, could result in conversion of Farmland, to non-agricultural use or conversion of forest land to non-forest use?				*X*

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Discussion

a-e). There is no existing agricultural use, zoning, active Williamson Act Contract or forest land in the project vicinity and no existing agricultural land will be converted to non-agricultural use as a result of the proposed project. No forest land will be converted to non-forest use. The project site is within the property boundaries for the Oroville Commercial-Residential areas and is not zoned for agricultural operations or forest land.

Finding

The discussions above is the finding of no impacts.

III. AIR QUALITY. Where available, the significance criteria established by the applicable air quality management or air pollution control district may be relied upon to make the following determinations. Would the project:

	Potentially Significant Impact	Less Than Significant with Mitigations Incorporated	Less-Than-Significant Impact	No Impact
a) Conflict with or obstruct implementation of the applicable air quality plan?			X	
b) Violate any air quality standard or contribute substantially to an existing or projected air quality violation?			X	
c) Result in a cumulatively considerable net increase of any criteria pollutant for which the project region is non-attainment under and applicable federal or state ambient air quality standard (including releasing emissions which exceed quantitative thresholds for ozone precursors)?			X	
d) Expose sensitive receptors to substantial pollutant concentrations?			X	
e) Create objectionable odors affecting a substantial number of people?			X	

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Discussion

III. a–c. The project will neither conflict with nor obstruct implementation of the applicable air quality plan for the Northern Sacramento Valley, nor will the project violate any air quality standard or contribute substantially to an existing or projected air quality violation. The project will not result in a cumulatively considerable net increase of any criteria pollutant for which the project region is non-attainment under an applicable federal or state ambient air quality standard.

According to Butte County Air Quality Management District (BCAQMD) CEQA Air Quality Handbook, October 23, 2014, Butte County is designated as a federal non-attainment area for 8-hour ozone and 24-hour PM2.5 and a state non-attainment area for 1 and 8-hour ozone, 24-hour PM10, and annual PM2.5 (**Table C.1**).

Table C.1: Butte County Ambient Air Quality Attainment Status

BUTTE COUNTY AMBIENT AIR QUALITY ATTAINMENT STATUS (2015)		
POLLUTANT	***STATE***	***FEDERAL***
1-hour Ozone	**Nonattainment**	--
8-hour Ozone	**Nonattainment**	**Nonattainment**
Carbon Monoxide	Attainment	Attainment
Nitrogen Dioxide	Attainment	Attainment
Sulfur Dioxide	Attainment	Attainment
24-Hour PM10**	**Nonattainment**	Attainment
24-Hour PM2.5**	No Standard	**Nonattainment**
Annual PM10**	Attainment	No Standard
Annual PM2.5**	**Nonattainment**	Attainment
** PM10: Respirable particulate matter less than 10 microns in size. PM2.5: Fine particulate matter less than 2.5 microns in size.		

Potential air quality impacts related to the proposed project are separated into two categories:

1) Temporary impacts resulting from construction-related activities (earth moving and heavy-duty vehicle emissions), and

2) Long-term indirect source emission impacts related to the build-out of the project, such a motor vehicle usage, water and space heating, including the use wood burning fire places, landscape maintenance equipment, etc.

Temporary construction related and long-term emissions were modeled using the most recent version of the California Emissions Estimator Model (CalEEMod) Version 2016.3.1. (CAPCOA 2016). CalEEMod contains region specific default assumptions for construction and operational activities.

Temporary (Construction-related) Impacts

Construction-related activities such as grading and operation of construction vehicles would create a temporary increase in fugitive dust within the immediate vicinity of the project site and contribute temporarily to slight increases in heavy-duty vehicle emissions (ozone precursor emissions, such as reactive organic gases (ROG) and nitrogen oxides (NOx), and fine particulate matter ten microns of less. The emissions of ROG, NOx, and fine particulate matter all fall under the BCAQMD threshold levels of significance (**Table C-2**). Due to the short duration of construction operations, and implementation of standard dust-control measures, the temporary increase in heavy-duty vehicle emissions would be considered **Less Than Significant**.

Table C-2: Modeled Temporary Emissions (Mitigated) for the Proposed Project

	ROG	NOx	PM10 or less
BCAQMD Threshold	4.5 tons/year	4.5 tons/year	80 lbs/day
CalEEMod Project Outpu	1.33 tons/year	1.57 tons/year	12.49 lbs/day

With regard to fugitive dust, the majority of the particulate generated as a result of grading operations is anticipated to quickly settle. Implementing BMPs for dust control will ensure dust related impacts remain **Less Than Significant**. These BMPs include but are not limited to the following:

- Watering de-stabilized surfaces and stock piles to minimize windborne dust.
- Ceasing operations when high winds are present.
- Covering or watering loose material during transport.
- Minimizing the amount of disturbed area during construction.
- Seeding and watering any portions of the site that will remain inactive longer than a period of 3 months or longer.
- Paving, periodically watering, or chemically stabilizing on-site construction roads.
- Minimizing exhaust emissions by maintaining equipment in good repair and tuning engines according to manufacturer specifications.
- Minimizing engine idle time, particularly during smog season (May-October).

Long-Term (Indirect Source) Impacts

The District's CEQA Air Quality Handbook provides screening criteria for when a quantified air emissions analysis is required to assess and mitigate potential air quality impacts from non-exempt CEQA projects (Table C-3). Projects that fall below screening thresholds need only to implement best practices to ensure that operational air quality impacts remain less than significant. The screening criteria are as follows:

Table C-3: BCAQMD Screen Criteria

LAND USE TYPE	***Model Emissions for Project Greater Than:***
Single Family Unit Residential	30 units
Multi-Family Residential	75 units
Commercial	15,000 square feet
Retail	11,000 square feet
Industrial	59,000 square feet

As noted above, the proposed medical office building of approximately 120,000 square feet exceeds the screening criteria. The proposed project's operational emissions were modeled using CalEEMod and are presented in **Table C-4**.

Table C-4: Modeled Long-term Emissions (Unmitigated) for the Proposed Project with Associated BCAQMD Significance Thresholds.

	ROG	NOx	PM10 or less
BCAQMD Threshold	25 lbs/day	25 lbs/day	80 lbs/day
CalEEMod Project Outpu	18.43 lbs/day	13.75 lbs/day	24.21 lbs/day

Under the "unmitigated" condition the proposed project would not exceed the BCAQMD significance threshold for ROG, NOx, or PM10 or less. Additionally, the project incorporates a number of design features that would further reduce operational air quality impacts including, photovoltaic solar arrays in the parking lot north of the building, electric car charging stations to the north and east of the building, reserved clean air/van pool/electric vehicle parking, and covered and uncovered bicycle racks.

III.4.-**5.** Apart from the potential for temporary odors associated with construction activities (i.e., paving operations), the proposed project will neither expose sensitive receptors to substantial pollutant concentrations, nor create significant objectionable odors. These potential impacts are short-term in nature and could be considered **Less Than Significant**.

Findings: The discussions above is the finding of less than significant impacts.

IV. BIOLOGICAL RESOURCES. Would the project:

	Potentially Significant Impact	Less Than Significant with Mitigations Incorporated	Less-Than-Significant Impact	No Impact
a) Have a substantial adverse effect, either directly or through habitat modifications, on any species identified as a candidate, sensitive, or special status species in local or regional plans, policies, or regulations, or by the California Department of Fish and Game or U.S. Fish and Wildlife Service?		X		
b) Have a substantial adverse effect on any riparian habitat or other sensitive natural community identified in local or regional plans, policies, regulations or by the California Department of Fish and Game or US Fish and Wildlife Service?				X
c) Have a substantial adverse effect on federally protected wetlands as defined by Section 404 of the Clean Water Act (including, but not limited to, marsh, vernal pool, coastal, etc.) Through direct removal, filling, hydrological interruption, or other means?				X
d) Interfere substantially with the movement of any native resident or migratory fish or wildlife species or with established native resident or migratory wildlife corridors, or impede the use of native wildlife nursery sites?			X	
e) Conflict with any local policies or ordinances protecting biological resources, such as a tree preservation policy or ordinance?				X
f) Conflict with the provisions of an adopted Habitat Conservation Plan (HCP), Natural Community Conservation Plan (NCCP), or other approved local, regional, or state habitat conservation plan?				X

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Discussion

Based off the Biological Resources Evaluation from North Star Engineering, the site is heavily developed, including buildings and parking facilities. The project site is nearly completely devoid of natural habitats. Vegetation is provided in landscaped areas around the project site.

IV.b-e. There is no riparian habitat present within the project site. Additionally, there are no Sensitive Natural Communities (SNCs) present within the proposed project site. Therefore, there will be **No Impact** to riparian habitat and SNCs.

The proposed project site does not contain waters that might be considered jurisdictional by the United States Army Corps of Engineers (USACE). Therefore, the project will have **No Impact** to protected wetlands or any other Waters of the United States (WOUS).

The proposed project will not substantially interfere with the movement of any resident or migratory fish or wildlife species, nor will it substantially interfere with a migratory wildlife corridor or impede the use of a native wildlife nursery site, or result in fragmentation of existing wildlife habitat. There will be **No Impact** to these resources.

IV.f. The proposed project will not conflict with any local ordinances protecting biological resources. The development of the project will comply with the City of Oroville Tree Preservation Regulations (CMC 16.66 and 19.68.00) which provide city discretion over any proposed tree removal and specifies replacement requirements for any trees that are approved for removal. Adherence to the guidelines specified in the City of Oroville Tree Preservation Regulations will ensure potential impacts resulting from the loss of trees during project activities will be **Less Than Significant**.

MITIGATION:

The following mitigation measure is required to reduce impacts to a less than significant level.

a) There are listed species or sensitive habitats within the project area.

Mitigation Measure Biological Resources 1:
Because the project will result in a potential roosting of bats, the following mitigation measure will be implemented to reduce the impact to less than significant per the recommendations of North Star Engineering reports and study.

Within 14 days prior to commencement of vegetation or structure removal activities, a pre-construction bat survey shall be conducted by a qualified biologist for the presence of any roosting bats on-site during the appropriate time of day to maximize detectability. Survey methodology may include visual surveys of bats (e.g. observations of bats during foraging period), inspection of suitable habitat or signs of bat presence (e.g. guano). The type of survey will depend on the condition of the potential roosting habitat. If no bat roosts are found, then no further study is required.

Any vegetation or structures that have been identified as potential roosting sites must be removed between October 1 and February 28. When trees or structures must be removed during the maternity roosting season (March 1 to September 30), a qualified biologist shall conduct a pre-construction survey to identify those trees or structures proposed for disturbance that could provide hibernacula or nursery colony roosting habitat for bats. Trees or structures identified as potentially supporting an active nursery roost shall be inspected by a qualified biologist no greater than 7 days prior to disturbance to determine presence or absence of roosting bats. Trees determined to support active maternity roosts will be left in place until the maternity season (September 30) or until the qualified biologist determines the bats are no longer present. If bat species are detected roosting in structures, excluding any bats from roosts will be accomplished by a qualified biologist prior to the removal of the structure. The timing and other methods of exclusionary activities will be developed by the qualified biologist in order to reduce the stress on the bats to the amount feasible while taking into account project schedule. Exclusionary devices such as plastic sheeting, plastic or wire mesh can be used to allow for bats to exit but not reenter any occupied roosts. Expanding foam and plywood sheets can be used to prevent bats from entering unoccupied roosts.

V. CULTURAL RESOURCES. Would the project:

	Potentially Significant Impact	Less Than Significant with Mitigations Incorporated	Less-Than-Significant Impact	No Impact
a) Cause a substantial adverse change in the significance of a historical resource as defined in §15064.5?				X
b) Cause a substantial adverse change in the significance of an archaeological resource pursuant to §15064.5?				X
c) Directly or indirectly destroy a unique paleontological resource or site or unique geologic feature?				X
d) Disturb any human remains, including those interred outside of formal cemeteries?				X

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Discussion

a-d). There is no existing cultural or archaeological evidential issues based off the **ARCHAEOLOGICAL INVENTORY SURVEY** provided by **Sean Michael Jensen, M.A.** and **Asher Levin, B.A.**

"A search of State data bases, including all records and documents available at the Northeast Information Center, and intensive pedestrian survey, have resulted in identifying one historic-era site (Oroville Hospital) within the project area. This site is recommended not significant under any of the relevant evaluative criteria. No treatment or mitigative action is recommended for this site.

Consultation was undertaken with the Native American Heritage Commission (NAHC) re. sacred land listings for the property. An information request letter was delivered to the NAHC on November 10, 2016. The NAHC responded on November 15, 2016, indicating that a search of their files "failed to indicate the presence of Native American cultural resources in the immediate project area."

Finding

No impacts

A note shall be placed on all grading and construction plans which informs the construction contractor that if any bones, pottery fragments or other potential cultural resources are encountered during construction, all work shall cease within the area of the find pending an

examination of the site and materials by a professional archaeologist. If during ground disturbing activities, any bones, pottery fragments or other potential cultural resources are encountered, the developer or their supervising contractor shall cease all work within the area of the find and notify Planning staff at 530-538-2428. A professional archaeologist who meets the Secretary of the Interior's Professional Qualification Standards for prehistoric and historic archaeology and who is familiar with the archaeological record of Butte County, shall be retained by the applicant to evaluate the significance of the find. Further, Planning staff shall notify all local tribes on the consultation list maintained by the State of California Native American Heritage Commission (NAHC), to provide local tribes the opportunity to monitor evaluation of the site. Site work shall not resume until the archaeologist conducts sufficient research, testing and analysis of the archaeological evidence to make a determination that the resource is either not cultural in origin or not potentially significant. If a potentially significant resource is encountered, the archaeologist shall prepare a mitigation plan for review and approval by the Community Development Director, including recommendations for total data recovery, Tribal monitoring, disposition protocol, or avoidance, if applicable. All measures determined by the Community Development Director to be appropriate shall be implemented pursuant to the terms of the archaeologist's report. The preceding requirement shall be incorporated into construction contracts and plans to ensure contractor knowledge and responsibility for proper implementation.

If human remains are discovered, all work must immediately cease, and the local coroner shall be contacted. Procedures for the discovery of human remains will be followed in accordance with provisions of the Public Health and Safety Code, Sections 7052 and 7050.5 and the State Public Resources Code Sections 5097.9 to 5097.99. If remains are determined to be prehistoric, the coroner shall contact the NAHC, which will determine and notify a most likely descendant (MLD). With the permission of the landowner or his/her authorized representative, the MLD may inspect the site of the discovery, and must complete the inspection within 24-hours of notification by the NAHC. The MLD will have the opportunity to make recommendations to the NAHC on the disposition of the remains.

VI. GEOLOGY AND SOILS. Would the project:

	Potentially Significant Impact	Less Than Significant with Mitigations Incorporated	Less-Than-Significant Impact	No Impact
a) Expose people or structures to potential substantial adverse effects, including the risk of loss, injury, or death involving:				X
I) Rupture of a known earthquake fault, as delineated on the most recent Alquist-Priolo Earthquake Fault Zoning Map issued by the State Geologist for the area or based on other substantial evidence of a known fault? Refer to Division of Mines and Geology Special Publication 42.				X
II) Strong seismic ground shaking?				X
III) Seismic-related ground failure, including liquefaction?				X
IV) Landslides?				X
b) Result in substantial soil erosion or the loss of topsoil?				X
c) Be located on a geologic unit or soil that is unstable, or that would become unstable as a result of the project, and potentially result in on-or off-site landslide, lateral spreading, subsidence, liquefaction or collapse?				X
d) Be located on expansive soil, as defined in Table 18-1-B of the Uniform Building Code (1994), creating substantial risks to life or property?				X
e) Have soils incapable of adequately supporting the use of septic tanks or alternative waste water disposal systems where sewers are not available for the disposal of waste water?				X

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Discussion

a. The City of Oroville is located in one of the least active seismic regions in California and contains no active faults. Currently, there are no designated Alquist-Priolo Special Studies Zones within the Planning Area, nor are there any known or inferred active faults. With the absence of active faults within the project site, the possibility of ground rupture, strong seismic shaking, seismic liquefaction, and landslides are extremely low. Under existing regulations, all future structures will incorporate California Building Code standards into the design and construction that are designed to minimize potential impacts associated with ground-shaking during an earthquake. The potential for impacts relating to seismic activity is considered Less Than Significant.

b. The proposed project would be subject to the City of Oroville grading ordinance, which requires the implementation BMPs regarding erosion control and sediment transport. Additionally, the Regional Water Quality Control Board (RWQCB) requires a project specific Stormwater Pollution Prevention Plan (SWPPP) for any project that disturbs an area one acre or larger. Each project specific SWPPP will include BMPs that are designed to control erosion and drainage. The City and the BCAQMD require implementation of all applicable fugitive dust control measures, which further reduces the potential for erosion. Development of the site will also be required to meet all requirements of the California Building Code which will address potential issues of ground shaking, soil swell/shrink, and the potential for liquefaction. As a result, potential future impacts relating to geology and soils are considered to be Less Than Significant.

e. No septic tanks or alternative waste water disposal systems are proposed for the subject property. All new structures will be connected to the City sewer system. Since development of the project site would require connection to the City's sewer system, the project will result in No Impact relative to policies governing sewer service control.;

Initial Study: Geotechnical report from North Star Engineering and Holdrege & Kuhl May 31, 2016

• Allow substantial development in areas subject to landslides, slope failure, erosion, subsidence, settlement, and/or expansive soils where the risk to people and property resulting from such geologic hazards could not be reduced through engineering and construction measures in accordance with regulations, codes, and professional standards; or

• Allow substantial grading and construction activities in areas of known soil instability, steep slopes, or shallow depth to bedrock where such activities could result in accelerated erosion and sedimentation or exposure of people, property, and/or wildlife to hazardous conditions (e.g., blasting) that could not be mitigated through engineering and construction measures in accordance with regulations, codes, and professional standards.

a-e) Based on published sources, the proposed project will not impact, or be impacted, by geologic resources or processes.

Finding

The thresholds of significance have not been exceeded for the “Geology and Soils” category and no impacts are expected.

VII. GREENHOUSE GAS EMISSIONS. Would the project:

	Potentially Significant Impact	Less Than Significant with Mitigations Incorporated	Less-Than-Significant Impact	No Impact
a) Generate greenhouse gas emissions, either directly or indirectly, that may have a significant impact on the environment?			X	
b) Conflict with an applicable plan, policy or regulation adopted for the purpose of reducing the emissions of greenhouse gases?				X

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Discussion

In 2015, the Oroville City Council adopted a Climate Action Plan (CAP) which sets forth objectives and actions that will be undertaken to meet the City's GHG emission reduction target of 25 percent below 2005 levels by the year 2020. This target is consistent with the State Global Warming Solutions Act of 2006 (AB 32, Health & Safety Code, Section 38501[a]).

Development and implementation of the CAP are directed by a number of goals, policies and actions in the City's General Plan. Growth and development assumptions used for the CAP are consistent with the level of development anticipated in the General Plan Environmental Impact Report (EIR). The actions in the CAP, in most cases, mirror adopted General Plan policies calling for energy efficiency, water conservation, waste minimization and diversion, reduction of vehicle miles traveled, and preservation of open space and sensitive habitat.

Oroville's CAP, in conjunction with General Plan policies, meet State criteria for tiering and streamlining the analysis of GHG emissions in subsequent CEQA project evaluation. Therefore, to the extent that a development project is consistent with CAP requirements, potential impacts with regard to GHG emissions for that project are considered to be less than significant. Requirements include but are not limited to Compliance with the City's Tree Ordinance, Compliance with the California Title 24 Building Energy Efficiency Standards, Option to incorporate solar arrays in parking areas in lieu of tree shading requirements, and consistency with the City's design guideline manual.

As part of the City's land use entitlement and building plan check review processes, development projects in the City are required to include and implement applicable measures identified in the City's CAP. The GP EIR assumed full build-out of the Land Use Diagram over a 20-year horizon. The proposed project would result in a GPA and rezone of the site from RMU to OMU and a rezone from RMU to OR. This minor shift of the land use designation and zoning would not result in a substantial difference in the types of allowed uses within each zoning classification. The change in composition is negligible and would not substantially affect the

comprehensive analysis for city-wide GHG emissions anticipated by the CAP and GP EIR. Thus, the proposed changes in land use classifications are considered to be Less Than Significant.

Finding

The thresholds of significance have not been exceeded for the "Greenhouse Gas Emissions" category and no significant impacts are expected.

VIII. HAZARDS AND HAZARDOUS MATERIALS. Would the project:

	Potentially Significant Impact	Less Than Significant with Mitigations Incorporated	Less-Than-Significant Impact	No Impact
a) Create a significant hazard to the public or the environment through the routine transport, use, or disposal of hazardous materials?				X
b) Create a significant hazard to the public or the environment through reasonably foreseeable upset and accident conditions involving the release of hazardous materials into the environment?				X
c) Emit hazardous emissions or handle hazardous or acutely hazardous materials, substances, or waste within one-quarter mile of an existing or proposed school?			X	
d) Be located on a site which is included on a list of hazardous materials sites compiled pursuant to Government Code Section 65962.5 and, as a result, would it create a significant hazard to the public or the environment?			X	
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project result in a safety hazard for people residing or working in the project area?				X
f) For a project within the vicinity of a private airstrip, would the project result in a safety hazard for people residing or working in the project area?				X
g) Impair implementation of or physically interfere with an adopted emergency response plan or emergency evacuation plan?				X
h) Expose people or structures to a significant risk of loss, injury or death involving wildland fires, including where wildlands are adjacent to urbanized areas				X

or where residences are intermixed with wildlands?				

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Discussion

a-b) The types and amounts of hazardous materials that would be used for development and operation of the proposed project would be typical for construction activities and those used for medical uses. Construction activities would require limited, short term handling of hazardous materials, such as fueling and servicing equipment on site with fuels, lubricating fluids, and solvents. Biohazardous and radioactive wastes may be generated from the on-site operations of the medical office building. The proposed project is located approximately 1.20 miles from Oroville High School (north of project site), however any handling, transportation, use, or disposal of hazardous materials would comply with all federal, state, and local regulations. Impacts relating to handling and transporting of hazardous materials would be considered Less Than Significant.

Demolition of existing buildings will require proper building permits and Hazardous Materials inspection by professional services and disposed of as required by State and Federal laws.

c-d) Several aboveground oxygen storage tanks are located on the existing site but are being relocated to a new location on the site with larger tanks. The relocation will not provide any substantial adverse effect due to Hazards or Hazardous Materials, however, due to the larger tanks the frequency of large oxygen trucks transporting the oxygen will be decreased due to ability to store more oxygen on-site.

e-f) The proposed project site is not identified as a hazardous site at the local, state or federal levels, including hazardous waste sites listed pursuant to Governmental Code Section 65962.5. The project is not located near a public or private airstrip, nor will it result in a safety hazard for people working or residing in the area. The proposed project will not impair implementation or interfere with an adopted emergency response or evacuation plan, On-site circulation patterns, designs, and improvements will be subject to Fire Marshall approval to ensure adequate access for emergency response. The project will not expose people or structures to a significant risk of loss, injury, or death involving wildland fires as there are no wildlands located in the vicinity of the project area. Therefore, there will be No Impact..

Finding

The thresholds of significance have not been exceeded for the “Hazards and Hazardous Materials” category and less than significant impacts are expected.

IX. HYDROLOGY AND WATER QUALITY. Would the project:

	Potentially Significant Impact	Less Than Significant with Mitigations Incorporated	Less-Than-Significant Impact	No Impact
a) Violate any water quality standards or waste discharge requirements?				X
b) Substantially deplete groundwater supplies or interfere substantially with groundwater recharge such that there would be a net deficit in aquifer volume or a lowering of the local groundwater table level (e.g., the production rate of pre-existing nearby wells would drop to a level which would not support existing land uses or planned uses for which permits have been granted)?				X
c) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, in a manner which would result in substantial erosion or siltation on- or off site?				X
d) Substantially alter the existing drainage pattern of the site or area, including through the alteration of the course of a stream or river, or substantially increase the rate or amount of surface runoff in a manner which would result in flooding on- or off-site?				X
e) Create or contribute runoff water which would exceed the capacity of existing or planned storm water drainage systems or provide substantial additional sources of polluted runoff?				X
f) Otherwise substantially degrade water quality?				X
g) Place housing within a 100-year flood hazard area as mapped on a federal Flood Hazard Boundary or Flood Insurance Rate Map or other flood hazard delineation map?				X
h) Place within 100-year flood hazard area structures which would impede or redirect flood flows?				X
i) Expose people or structures to a significant risk of loss, injury or death involving flooding, including flooding As a result of the failure of a levee or dam?				X

j) Inundation by seiche, tsunami, or mudflow?				X

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Discussion

a-e) The proposed project does not significantly alter drainage patterns or impact groundwater resources, and any grading must comply with the regulations contained within the Grading Ordinance of City of Oroville, diminishing impacts to water quality. The project site is not within a 100-year Flood Zone. On-site storm water storage systems will be required to contain the storm water runoff and eliminate site storm water runoff from affecting off-site areas.

f-j) The proposed project does not significantly alter drainage patterns or impact groundwater resources, and any grading must comply with the regulations contained within the Grading Ordinance of City of Oroville, diminishing impacts to water quality. The project site is not within a 100-year Flood Zone.

Storm Drainage The project site is within a storm drainage tributary basin that has seen flooding in low lying areas adjacent to open channel flow and the City of Oroville storm drainage detention basins. As a result of this flooding and the new state required Low Impact Design (LID) requirements for storm water include both quantity and quality improvements on-site. The southern half of the Hospital drains to two storm drainage lines crossing Olive Highway/SR 162 that are connected to the Hospital's storm drainage system, consisting of 24" and 30" lines. The existing capacities of these offsite pipes are adequate for their existing basins. A majority of the new medical center wing's storm water will be directed to the 24" western pipe crossing.

Prior to leaving the site, storm water will be treated and detained. The concept design has located five areas where bio-cells would be constructed to accept surface runoff. The bio-cells will detain storm water allowing them to filter through prepared media (sand and compost blend) removing constituents while giving plants and native soils opportunity to absorb runoff. Remaining runoff will be collected by underdrains and discharged to the existing Olive Highway storm water crossings.

Finding

The thresholds of significance have not been exceeded for the "Hydrology and Water Quality" category and no impacts are expected.

X. LAND USE AND PLANNING. Would the project:

	Potentially Significant Impact	Less Than Significant with Mitigations Incorporated	Less-Than-Significant Impact	No Impact
a) Physically divide an established community?			X	
b) Conflict with any applicable land use plan, policy, or regulation of an agency with jurisdiction over the project (including, but not limited to the general plan, specific plan, local coastal program, or zoning ordinance) adopted for the purpose of avoiding or mitigating an environmental effect?			X	
c) Conflict with any applicable habitat conservation plan or natural community conservation plan?				X

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Discussion

a-c) The proposed project is within the existing hospital campus and the surrounding uses are mostly medical office buildings, senior assisted living, and pharmacy businesses and will require removal of half of an existing office building; the project will go through a conditional use permit process, so it does not conflict with any land use plans and is not within a designated habitat conservation plan boundary. This is not a big change in the existing uses or zoning because this is an extension of an existing medical facility with the same type services. There would be no impact.

Finding

The thresholds of significance have not been exceeded for the "Land Use Planning" category and no impacts are expected.

XI. MINERAL RESOURCES. Would the project:

	Potentially Significant Impact	Less Than Significant with Mitigations Incorporated	Less-Than-Significant Impact	No Impact
a) Result in the loss of availability of a known mineral resource that would be of value to the region and the residents of the state?				X
b) Result in the loss of availability of a locally-important mineral resource recovery site delineated on a local general plan, specific plan or other land use plan?				X

Discussion

a-b. There are no known mineral resources of local, regional, or national importance located within the proposed project site. The project would not result in the loss of availability of a known mineral resource that would be of value to the region or residents or a locally important mineral resource recovery site on any applicable plan. The project will result in No Impact to mineral resources.

Finding

No impacts are expected.

XII. NOISE. Would the project result in:

	Potentially Significant Impact	Less Than Significant with Mitigations Incorporated	Less-Than-Significant Impact	No Impact
a) Exposure of persons to or generation of noise levels in excess of standards established in the local general plan or noise ordinance, or applicable standards of other agencies?				X
b) Exposure of persons to or generation of excessive ground borne vibration or ground borne noise levels?				X
c) A substantial permanent increase in ambient noise levels in the project vicinity above levels existing without the project?				X
d) A substantial temporary or periodic increase in ambient noise levels in the project vicinity above levels existing without the project?			X	
e) For a project located within an airport land use plan or, where such a plan has not been adopted, within two miles of a public airport or public use airport, would the project expose people residing or working in the project area to excessive noise levels?				X

f) For a project within the vicinity of a private airstrip, would the project expose people residing or working in the project area to excessive noise levels?				X

2017 California Environmental Quality Act & CEQA Guidelines page 340

Discussion

A substantial adverse effect due to noise would occur if the implementation of the project would:

• Result in short-term construction noise that creates noise exposures to surrounding noise sensitive land uses in excess of 60 dBA CNEL;

• Result in long-term operational noise that creates noise exposures in excess of 60 dBA CNEL at the adjoining property line of a noise sensitive land use and the background noise level is increased by 3 dBA, or more; or

• Results in noise levels inconsistent with the performance standards contained in the City of Oroville General Plan 2030.

a.-d). Construction activity associated with the implementation of the proposed action would include the operation of heavy equipment used for excavation, grading and hauling. Construction equipment typically generates noise levels of 80-90 dBA at a distance of 50 feet while operating (U.S. Environmental Protection Agency, 1971), and equipment operations can vary from intermittent to fairly continuous. Similarly, one or multiple pieces of equipment may operate concurrently and may generate near-surface ground vibrations.

Assuming that a bulldozer (87 dBA), backhoe (90 dBA), and a front-end loader (82dBA) are operating concurrently in the same area, construction activities could result in noise levels of as much as 94 dBA at a distance of 50 feet from the activity. Noise levels typically decrease by about 6 dBA with each doubling distance beyond 50 feet. Therefore, a person within about 2,000 feet of a construction site would experience occasional noise levels greater than 60 dBA. Areas within about 700 feet of a construction site would experience episodes with noise levels greater than 70 dBA. Such episodes of higher noise levels would not be continuous throughout the day and generally would be restricted to daytime hours. There are no sensitive receptors located within the vicinity of the Hospital.

Pile driving may take place during the construction of the foundation which will make loud pounding sounds, however, all pile driving will be required to be performed during proper hours.

e.-f). Oro-Health Oroville Hospital Expansion is not located near the Oroville Municipal Airport or any other private air strips.

Finding

While there will be construction noise and dust, construction will occur between 7am-7pm to mitigate noise impact and water shall be used as appropriate for dust control and to control any potential fugitive dust.

The thresholds of significance have not been exceeded for the “Noise” category and no significant impacts are expected.

XIII. POPULATION AND HOUSING. Would the project:

	Potentially Significant Impact	Less Than Significant with Mitigations Incorporated	Less-Than-Significant Impact	No Impact
a) Induce substantial population growth in an area, either directly (for example, by proposing new homes and businesses) or indirectly (for example, through extension of roads or other infrastructure)?				X
b) Displace substantial numbers of existing housing, necessitating the construction of replacement housing elsewhere?				X
c) Displace substantial numbers of people, necessitating the construction of replacement housing elsewhere?				X

2017 California Environmental Quality Act & CEQA Guidelines page 341

Discussion

The project would not induce substantial population growth, nor would it displace people or housing. The proposed project consists of a GPA and rezone of existing vacant housing property surrounded by urban uses, from a GP designation of MXC to PU and a rezone from MXC to PU, to accommodate the development of a medical office building. The project does not involve the construction of additional dwelling units nor does it involve the construction of infrastructure that may induce population growth in the area. With regard to population and housing the proposed project would have No Impact.

a). The proposed project will create new jobs, but will not significantly increase the need for additional housing.

b-c). Five existing homes were displaced as a result of providing additional parking for the hospital and office buildings. However, the homes were purchased by the Oro-Health Oroville Hospital at market rate pricing allowing the property seller to relocate to other locations. Additionally, the number of new jobs and new housing needed to house the new personnel outweighs the loss of the five homes.

Finding

The thresholds of significance have not been exceeded for the “Population and Housing” category and no significant impacts are expected.

XIV. PUBLIC SERVICES. Would the project:

	Potentially Significant Impact	Less Than Significant with Mitigations Incorporated	Less-Than-Significant Impact	No Impact
a) Would the project result in substantial adverse physical impacts associated with the provision of new or physically altered governmental facilities, need for new or physically altered governmental facilities, the construction of which could cause significant environmental impacts, in order to maintain acceptable service ratios, response times or other performance objectives for any of the public services:				X
I) Fire Protection?				X
II) Police Protection?				X
IV) Parks?				X
V) Other public facilities?				X

2017 California Environmental Quality Act & CEQA Guidelines page 341

Discussion

a. The proposed project is within the property boundaries of the existing Oro-Health Oroville Hospital site and would not affect offsite communities. The project would not increase the presence of people in the area that would constitute a concern for an increase in emergency services so there would not be an increased demand for fire protection, police protection, schools, parks or other public facilities.

The expansion would provide better services for emergencies by having additional space available to temporarily house emergency patients.

Finding

The thresholds of significance have not been exceeded for the “Public Services” category and no significant impacts are expected.

XV. RECREATION. Would the project:

	Potentially Significant Impact	Less Than Significant with Mitigations Incorporated	Less-Than-Significant Impact	No Impact
a) Would the project increase the use of existing neighborhood and regional parks or other recreational facilities such that substantial physical deterioration of the facility would occur or be accelerated?				X
b) Does the project include recreational facilities or require the construction or expansion of recreational facilities which might have an adverse physical effect on the environment?				X

2017 California Environmental Quality Act & CEQA Guidelines page 341-342

Discussion

A substantial adverse effect on Recreational Resources would occur if the implementation of the project would:

- Substantially increase the local population without dedicating a minimum of 3 acres of developed parklands for every 1,000 residents; or
- Substantially increase the use of neighborhood or regional parks in the area such that substantial physical deterioration of the facility would occur.

a.-b. The proposed project will have no impact on existing recreational facilities, nor does the project require the construction or expansion of such facilities.

Finding

The thresholds of significance have not been exceeded for the “Recreation” category and no significant impacts to recreational services or facilities are expected.

XVI. TRANSPORTATION/TRAFFIC. Would the project:

	Potentially Significant Impact	Less Than Significant with Mitigations Incorporated	Less-Than-Significant Impact	No Impact
a) Cause an increase in traffic which is substantial in relation to the existing traffic load and capacity of the street system (i.e., result in a substantial increase in either the number of vehicle trips, the volume to capacity ratio on roads, or congestion at intersections)?		X		
b) Conflict with an applicable congestion management program, including, but not limited to level of service standards and travel demand measures, or other standards established by the county congestion management agency for designated roads or highways?		X		
c) Result in a change in air traffic patterns, including either an increase in traffic levels or a change in location that results in substantial safety risks?				X
d) Substantially increase hazards due to a design feature (e.g., sharp curves or dangerous intersections) or incompatible uses (e.g., farm equipment)?				X
e) Result in inadequate emergency access?				X
f) Conflict with adopted policies, plans, or programs regarding public transit, bicycle, or pedestrian facilities, or otherwise decrease the performance or safety of such facilities?				X

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Discussion

a-b) As noted in the Traffic Impact Study prepared by Traffic Works on October 14, 2016 and updated Traffic Impact Study in December of 2017, *"Proposed project is anticipated to generate a net increase of up to 619 daily trips, an increase of 26 AM peak hour trips, and a net reduction of 5 PM peak hour trips.*

"The proposed project generates a net reduction of 5 trips during the critical PM peak hour and reduces the total peak hour trips to Olive Highway north of Medical Center Drive. Since the critical peak hour traffic is reduced, the project does not cause any significant impacts. All the study intersections are anticipated to operate at acceptable LOS conditions with the addition of the project traffic. The Olive Highway roadway segment will continue to operate at LOS "F" during both the existing and existing plus project peak hour conditions.

The preferred alternative from the "SR 162 Corridor Plan", dated June 2016, for Olive Highway expansion consists of widening Olive Highway to a five-lane section with two eastbound lanes, two westbound lanes, and a center turn-lane. Taking into account this preferred alternative recommendation, the project will dedicate seven (7) feet of right-of-way along the project frontage to accommodate future potential road widening and street improvements."

However, in addition to the recommended seven (7) feet of right-of-way dedication and an additional three (3) feet for a minimum ten (10) feet of right-of-way dedication will be provided along the project frontage to accommodate future potential road widening and street improvements. Street striping will be provided to meet the alternate 3 recommendations as shown in figure 6-7 of the SR 162 Corridor plan final prepared for Butte County Association of Governments June 2016. See figure on page 57 of this document.

Incorporation of the preferred alternative from the "SR 162 Corridor Plan", dated June 2016 as **Mitigation Measure Transportation/Traffic 1** will reduce potential impacts related to traffic and congestion increases to less than significant levels.

c-d) The project would not affect air traffic patterns and will not conflict with any adopted policies, plans, or programs related to public transportation. There will be No Impact.

e-f) The ultimate development of the project site will not substantially increase hazards due to a design feature or create incompatible uses. The project will not result in inadequate emergency access as the site has multiple points of ingress and egress. The project will be served by two access driveways, one connecting south to the existing Olive Hwy Hospital Signalized intersection and one connecting north to the existing Gilmore Lane. Proper site design, including the provision for fire apparatus turn around shall be approved by the City of Oroville Fire Marshal. Application of existing standards would ensure that the project would not increase traffic hazards. Therefore, this impact would be considered Less Than Significant.

Based off the Parking Analysis dated October 10, 2016 *"The project will demolish 206 spaces and construct 194 parking spaces within the project area (reduction of 12 spaces). … With the proposed parking plan, the project provides one parking space in excess of the City of Oroville Municipal Code requirements*."

Additionally, the existing sidewalk that borders the site on the Olive Hwy frontage will be repaired for accessibility and pedestrian traffic.

MITIGATION:

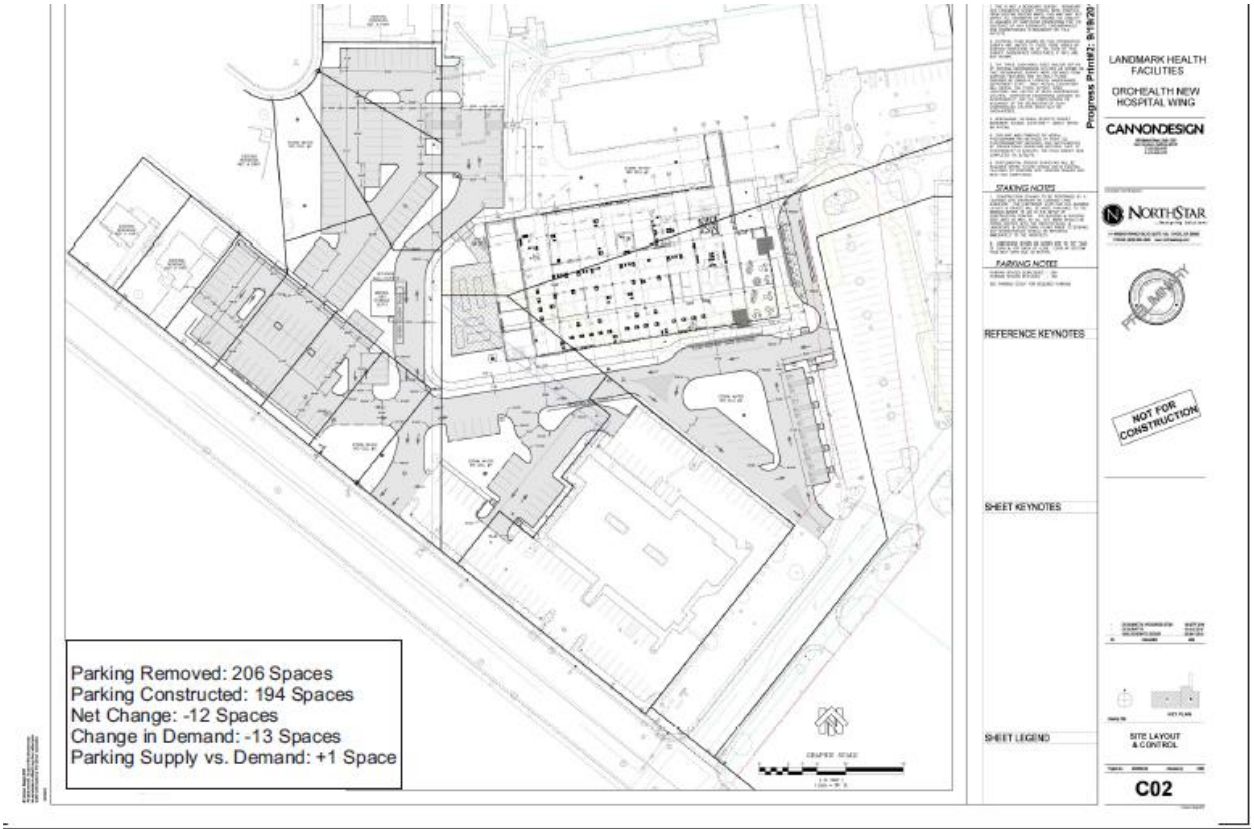
The following mitigation measure is required to reduce potential impacts related to traffic and congestion increases to a less than significant level:

Mitigation Measure Transportation/Traffic 1:

Because the proposed project is anticipated to generate a net increase of up to 619 daily trips, an increase of 26 AM peak hour trips, and a net reduction of 5 PM peak hour trips, incorporation of the following mitigation into the project is required:

The preferred alternative from the "SR 162 Corridor Plan", dated June 2016, for Olive Highway expansion consists of widening Olive Highway to a five-lane section with two eastbound lanes, two westbound lanes, and a center turn-lane. Taking into account this preferred alternative recommendation, the project will dedicate seven (7) feet of right-of-way along the project frontage to accommodate future potential road widening and street improvements. An additional three (3) of right-of-way dedication will be provided along the project frontage to accommodate future potential road widening and street improvements. Street striping will be provided to meet the alternate 3 recommendations as shown in figure 6-7 of the SR 162 Corridor plan final prepared for Butte County Association of Governments June 2016. See figure on page 57 of this document.

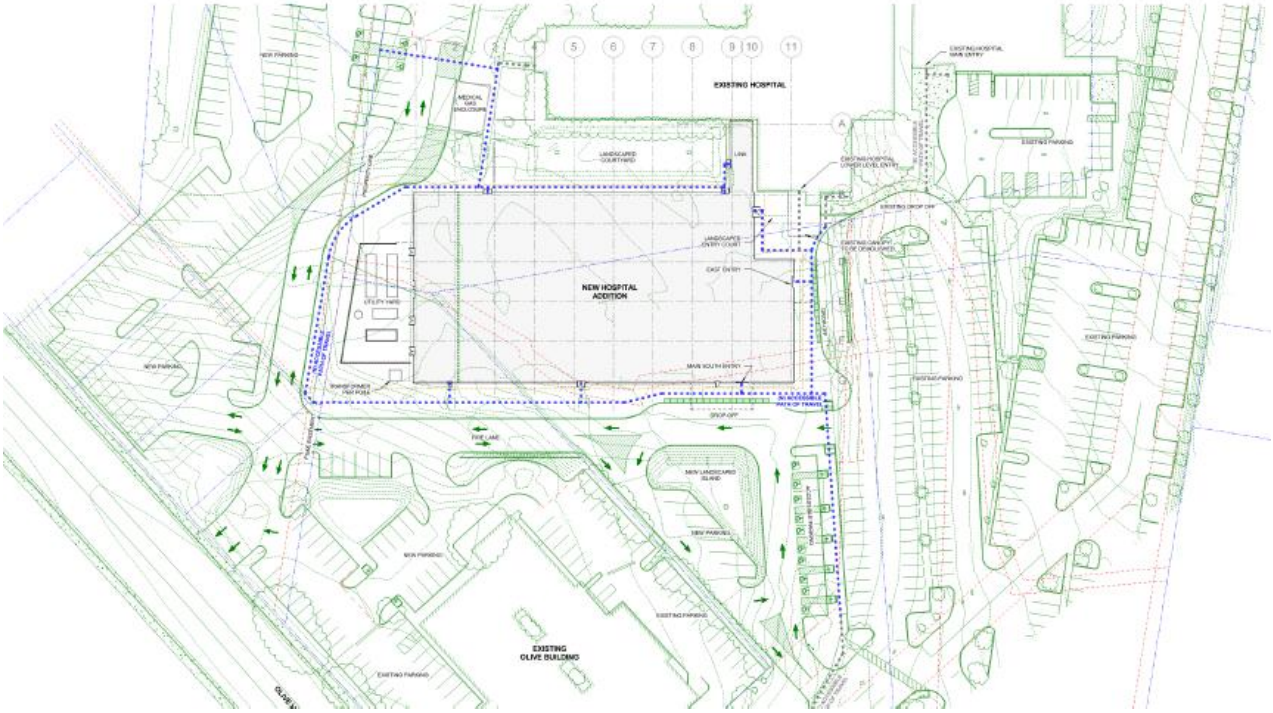
See figures below from the Parking Analysis dated October 10, 2016;



TRAFFIC WORKS

NO SCALE

Figure 2
OroHealth Hospital Expansion
Parking Analysis
Site Plan



Alternative 3 – Unbalanced Lanes with Signals

As an interim improvement alternative, the Olive Highway segment between Oro-Dam Blvd and Lower Wyandotte Road could be re-striped to have two eastbound lanes and one westbound lane. As the majority of the congestion, delay and queue spill back currently occurs in the eastbound direction, this interim measure could improve traffic operations on Olive Highway without the need to acquire any new right-of-way. There is sufficient width available between the existing curbs on Olive Highway to accommodate two eastbound through lanes, one westbound through lane, a center turn lane, and bicycle lanes as shown in **Figure 6-7**.

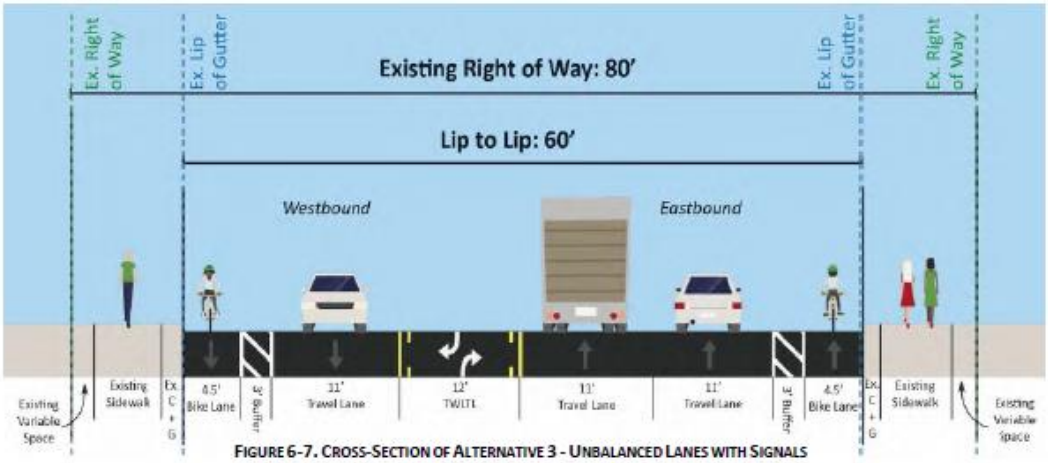


FIGURE 6-7. CROSS-SECTION OF ALTERNATIVE 3 - UNBALANCED LANES WITH SIGNALS

Finding

State Highway Route 162 operates at a F level of service on the Olive Highway section in front of the project location. The hospital shall be required to maintain its current work shift change schedule of 7am so as not to adversely impact State Highway Route 162 which operates at an acceptable level of service at that time.

The thresholds of significance have not been exceeded for the "Transportation/Traffic" category and no significant impacts are expected.

XVII. UTILITIES AND SERVICE SYSTEMS. Would the project:

	Potentially Significant Impact	Less Than Significant with Mitigations Incorporated	Less-Than-Significant Impact	No Impact
a) Exceed wastewater treatment requirements of the applicable Regional Water Quality Control Board?				X
b) Require or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?				X
c) Require or result in the construction of new storm water drainage facilities or expansion of existing facilities, the construction of which could cause significant environmental effects?				X
d) Have sufficient water supplies available to serve the project from existing entitlement and resources, or are new or expanded entitlements needed?				X
f) Be served by a landfill with sufficient permitted capacity to accommodate the project's solid waste disposal needs?				X
g) Comply with federal, state, and local statutes and regulations related to solid waste?				X

2017 California Environmental Quality Act & CEQA Guidelines page 343-344

Discussion

A substantial adverse effect on Utilities and Service Systems would occur if the implementation of the project would:

- Breach published national, state, or local standards relating to solid waste or litter control;

• Substantially increase the demand for potable water in excess of available supplies or distribution capacity without also including provisions to adequately accommodate the increased demand, or is unable to provide an adequate on-site water supply, including treatment, storage and distribution;

• Substantially increase the demand for the public collection, treatment, and disposal of wastewater without also including provisions to adequately accommodate the increased demand, or is unable to provide for adequate on-site wastewater system; or

• Result in demand for expansion of power or telecommunications service facilities without also including provisions to adequately accommodate the increased or expanded demand.

a-g. Based off the conclusion statement of the Sewer Capacity Impact Study report dated May 11, 2017, "The proposed Oroville Expansion Project is reported to contribute 63 EDU of loading to SC-OR's wastewater collection system and treatment plant. This loading (both flow and organic load) represents a range of 0.9 to 3.3 percent of the available capacity depending on system component. While this is a small loading, it represents approximately 34 percent of the projected growth (at one percent per year) in EDU for the SC OR system, or approximately one third of the projected growth.

The RFC for the developed parcels, collected at the time of issuance of the building permit and determined pursuant to adopted SC-OR policy, will be sufficient to mitigate the Project's impact on SC-OR's capacity, without construction of new facilities.

There is an existing 8" Cal Water line in Olive Highway/SR 162 as well as one to the north of the Hospital in Gilmore Lane. The eastern edge of the Hospital property is also the eastern boundary of the Cal Water service area. A Cal Water hydrant test on Gilmore Lane indicates that water pressures are steady in the area and typically around 65 psi. The new medical facility wing will require both a reserve water storage supply and at least 6" domestic water line with booster pumping (to provide pressure to upper floors). To achieve this, the Project is proposing a new meter on Olive Highway/SR 162 nearest to the southwest corner of the new wing. It is anticipated that this service will supply both the new wing and a portion of the existing Hospital.

Separate from the domestic water system there is a private Hospital owned fire loop that connects backflow protected fire extensions on Gilmore Lane and Olive Highway and loops around the Hospital providing private fire hydrants and services to fire sprinklers. The new wing will require the re-routing of this fire loop around the building and the setting of approximately two new fire hydrants to maintain a 300' +/- hydrant separation on the existing and new areas.

Therefore, proposed project will have no impact on existing wastewater, water supply, or solid waste disposal services, nor does the project require the construction or expansion of such facilities.

Finding

The thresholds of significance have not been exceeded for the “Utilities and Service Systems” category and no significant impacts are expected.

XVIII. MANDATORY FINDINGS OF SIGNIFICANCE.

	Potentially Significant Impact	Less Than Significant with Mitigations Incorporated	Less-Than-Significant Impact	No Impact
a) Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory?		X		
b) Does the project have impacts that are individually limited, but cumulatively considerable? ("Cumulatively considerable" means that the incremental effects of a project are considerable when viewed in connection with the effects of past projects and the effects of probable future projects)?				X
c) Does the project have environmental effects which will cause substantial adverse effects on human				X

beings, either directly or indirectly?				

2017 California Environmental Quality Act & CEQA Guidelines page 344

Discussion

a. There is no substantial evidence that the project will have the potential to significantly degrade the quality of the environment, including effects on animals or plants. Both short-term and long-term environmental effects associated with this project will be less than significant. Any potentially significant impacts can be mitigated through the incorporation of mitigation measures and existing standards and requirements.

b. Cumulative impacts are defined in Section 15355 of the CEQA Guidelines as "two or more individual effects, which when considered together, are considerable or which compound or increase other environmental impacts."

Based on the analysis in this Initial Study it has been determined that the project will not result in cumulative impacts.

c. Based upon the discussion contained in this document it has been determined that the project will not have any environmental effects which will cause substantial adverse effects on human beings, either directly or indirectly (no impacts identified, or mitigation have been included in the project design to reduce the impact).

4.0 SOURCES

Genesis Society, Archaeological Inventory Survey

State Highway Route 162, Butte County Association of Governments Corridor Plan

Traffic Works Parking Study

Traffic Works Traffic Study

Fehr & Peers, Traffic Impact Study and Parking Study Peer Review

j.c. brennan & associates, Inc. Acoustics Nosie Study

North Star Engineering Environmental Site Study

North Star Engineering Biological Resources Evaluation

Holdrege and Kull Geotechnical Recommendations

Office of Statewide Health Planning and Development/Department of Conservation Geological Survey

2017 California Environmental Quality Act & CEQA Guidelines

Cal Water, Will Serve Letter

Sewer Commission Oroville Region Mitigation Agreement

Butte County General Plan 2030. 2010. Butte County General Plan Adopted October 26, 2010.

Butte County. 2000. The Butte County Airport Land Use Compatibility Plan, Shutt Moen, February, 2000.

Butte Regional Transit website, B-Line Route Map.

http://www.blinetransit.com/documents/routes/Chico_Base-2011.pdf

Butte County Air Quality Management District. Draft CEQA Air Quality Handbook. October 23, 2014.

California Air Resources Board. Area Designation Maps/State and National. www.arb.ca.gov/desig/adm/adm.htm

California Department of Conservation. California Important Farmland Finder. maps.conservation.ca.gov/ciff/ciff.htm

California Department of Conservation. Fault Activity Map of California. maps.conservation.ca.gov.cgs/fam/

California Department of Toxic Substances Control. Hazardous Waste and Substances Site List. www.envirostor.dtsc.ca.gov/public/

California Emissions Estimator Model. CALEEMOD v2013.2.2

City of Oroville

OFFICE OF THE CITY CLERK

Jackie Glover
Assistant City Clerk

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THE CITY COUNCIL OF THE CITY OF OROVILLE
NOTICE OF PUBLIC HEARING
AND INTENT TO ADOPT A MITIGATED NEGATIVE DECLARATION

NOTICE IS HEREBY GIVEN that the City Council of the City of Oroville will be holding a public hearing on the project described below. The hearing will be held on **Tuesday, November 6, 2018** at 5:00 p.m. or as soon thereafter as the matter can be heard, in the City Council Chambers located at 1735 Montgomery St., Oroville, California.

Oroville Hospital Expansion (OHP 18-01) The proposed Project is intended to expand and modernize healthcare delivery which will allow Oroville Hospital to provide expanded patient care services to the City of Oroville and surrounding region. As the primary provider of healthcare services in the area, it is essential that services be updated to provide state-of-the-art care to the community.

The Oroville Hospital Expansion Project will result in the addition of 108 beds through the development of a new 5-story medical center wing. The new facility would be located on the south side of the existing Hospital. The new medical center wing will operate 24/7 providing needed health care to the surrounding community. The new facility will provide an Outpatient Surgery Center, Women's and Infant's Center, ICU and two floors consisting of 70 new Medical/Surgical beds. The building will be an integral part of existing overall health services provided by Oroville Hospital and will operated under the Hospital license.

In accordance with the California Environmental Quality Act (CEQA), an initial study of environmental review was prepared by the City to consider potential impacts associated with implementation of the Project, and to provide mitigation measures that will avoid or reduce potential impacts to less than significant levels. Based upon the information contained within the initial study, planning staff is recommending that a Mitigated Negative Declaration (MND) be adopted for the project. An MND is a determination that a project will not have a significant impact, or a less than significant impact on the environment, with mitigation measures adopted as conditions of project approval.

Additional information regarding the project described in this notice, including an Initial Study and Mitigated Negative Declaration, is available at the City of Oroville Planning Department, 1735 Montgomery Street, Oroville, California. Anyone desiring to submit information, opinions or objections is requested to submit them in writing to the City Clerk by 4pm on November 5th, 2018, or at the meeting.

Gary Layman,
Chief Building Official/Fire Marshal

Publish Date: October 27, 2018

OROVILLE CITY COUNCIL
STAFF REPORT

TO: **MAYOR AND CITY COUNCIL MEMBERS**
TOM LANDO, INTERIM CITY ADMINISTRATOR
BILL LAGRONE, ASSISTANT CITY ADMINISTRATOR

FROM: **SCOTT E. HUBER, CITY ATTORNEY**
RUTH WRIGHT, FINANCE DIRECTOR

RE: **AUTHORIZE THE ISSUANCE OF BONDS FOR OROVILLE HOSPITAL**

DATE: **NOVEMBER 6, 2018**

SUMMARY

The Council will consider the issuance of revenue bonds for Oroville Hospital.

BACKGROUND

The City of Oroville is the conduit for bond financing for Health Facilities pursuant to Chapter 11B of the Municipal Code of the City of Oroville.

DISCUSSION

On August 5, 1985, the City Council adopted Ordinance No. 1468, which was codified as Chapter 11B of the Code of the City of Oroville entitled “Health Facilities Financing Law.” The Council declared that it is necessary, essential, a public purpose, and a municipal affair for the City provide financing to health facilities that provide essential services to residents of the city in order to aid such health facilities to establish lower rates and charges than would otherwise prevail.

The Health Facilities Financing Law establishes a program and procedures for the authorization, sale and issuance of bond financing by the City for the purpose of making loans to health institutions to finance or refinance health facility expenditures.

Oroville Hospital, a nonprofit public benefit corporation duly organized under the laws of the State of California owns, maintains and operates a general acute care hospital within the City, and has agreed to terms for the issuance of hospital revenue bonds. The aggregate principal of bond financing will not to exceed $285,000,000 which will be expended for the purpose of financing and possibly refinancing certain health care facilities owned or to be owned and/or operated by Oroville Hospital which facilities are or will be located in the City consisting of (a) the construction of a new 158,790 square foot 5-story tower addition that will be connected to the existing hospital ion the south east side of the hospital to expand the existing 133-bed acute care facility to a total of 211 beds and (b) the refunding of the City’s Hospital Revenue Bonds, Series 2018 (the “Prior

Bonds"), previously issued in 2018 (the "Project"). The Prior Bonds will be refunded if Oroville Hospital is unable to negotiate revised terms with MUFG Union Bank, N.A., the purchaser of the Prior Bonds.

Oroville Hospital agrees to pay all costs involved in the issuance, including City administrative expenses, the cost of preparation of any studies, reports or other documents necessary to be prepared by or for the City to comply with the California Environmental Quality Act, and all costs incurred by the City in connection with any legal action challenging the issuance or validity of the Bonds or use of the proceeds thereof. Oroville Hospital has determined that it is feasible and beneficial to issue the bonds at this time.

Section 147(f) of the Internal Revenue Code of 1986 requires the Council, as the elected representative of the City, the host jurisdiction of the Project, to approve the issuance of the Series 2018B Bonds after a public hearing following reasonable notice.

FISCAL IMPACT

None at this time. Future reimbursement administrative costs if bonds are issued.

RECOMMENDATION

Conduct a Public Hearing

Adopt Resolution No. 8757 – RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OROVILLE AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $285,000,000 TO FINANCE AND REFINANCE THE ACQUISITION, CONSTRUCTION, IMPROVEMENT, RENOVATION AND/OR EQUIPPING OF HEALTH CARE FACILITIES OWNED AND/OR OPERATED BY OROVILLE HOSPITAL AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

Adopt Resolution No. 8758 – RESOLUTION, REQUIRED BY THE SECTION 147(f) OF THE INTERNAL REVENUE CODE, APPROVING ISSUANCE BY THE CITY OF OROVILLE OF REVENUE BONDS FOR THE BENEFIT OF OROVILLE HOSPITAL IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $285,000,000

ATTACHMENTS

Resolution No. 8757
Resolution No. 8758
Bond Indenture;
Loan Agreement;
Bond Purchase Agreement
Preliminary Official Statement
Notice of Public Hearing

CITY OF OROVILLE

RESOLUTION NO. 8757

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OROVILLE AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $285,000,000 TO FINANCE AND REFINANCE THE ACQUISITION, CONSTRUCTION, IMPROVEMENT, RENOVATION AND/OR EQUIPPING OF HEALTH CARE FACILITIES OWNED AND/OR OPERATED BY OROVILLE HOSPITAL AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

RESOLVED, by the City Council (the "Council") of the City of Oroville, California (the "City"), as follows:

WHEREAS, the City is a municipal corporation and charter city duly organized and existing under a freeholders' charter pursuant to which the City has the right and power to make and enforce all laws and regulations in respect to municipal affairs and certain other matters in accordance with and as more particularly provided in sections 3, 5 and 7 of article XI of the Constitution of the State of California and the charter of the City (the "Charter");

WHEREAS, the City Council of the City, acting under and pursuant to the powers reserved to the City under sections 3, 5 and 7 of article XI of the Constitution of the State of California and section 2 of article XXX of the Charter, has adopted the City of Oroville Health Facilities Financing Law (the "Law"), establishing a program and procedure for the authorization, sale and issuance of revenue bonds by the City for the purpose, *inter alia*, of providing financing or refinancing for health facilities;

WHEREAS, Oroville Hospital (the "Corporation") is a California nonprofit public benefit corporation and a member of an obligated group;

WHEREAS, the Corporation wishes to finance and possibly refinance the acquisition, construction, improvement, renovation and/or equipping of certain health care facilities owned or to be owned and/or operated by the Corporation which facilities are or will be located in the City, consisting of (a) the construction of a new 158,790 square foot 5-story tower addition that will be connected to the existing hospital to expand the existing 133-bed acute care facility to a total of 211 beds (the "Project") and (b) the refunding of the City's Hospital Revenue Bonds, Series 2018 (the "Prior Bonds"), previously issued in 2018, if the Corporation is unable to negotiate revised terms with MUFG Union Bank, N.A., the purchaser of the Prior Bonds, to comply with the provisions of the Series 2018B Bonds (hereinafter defined);

WHEREAS, the Corporation is requesting the assistance of the City in financing the Project and in refunding the Prior Bonds, if required;

WHEREAS, pursuant to a bond indenture (the "Bond Indenture"), by and between the City and a trustee bank to be selected as bond trustee (the "Bond Trustee"), the City will issue its City of Oroville Revenue Bonds (Oroville Hospital), Series 2018B (the "Series 2018B Bonds"), for the purpose, among others, of financing the Project and refunding the Prior Bonds, if required;

WHEREAS, pursuant a loan agreement (the "Loan Agreement"), by between the City and the Corporation, the City will loan the proceeds of the Series 2018B Bonds to the Corporation for the purpose, among others, of financing the Project and refunding the Prior Bonds, if required;

WHEREAS, pursuant to a bond purchase agreement, to be dated the date of sale of the Series 2018B Bonds (the "Bond Purchase Agreement"), executed by Morgan Stanley & Co. LLC, as underwriter of the Series 2018B Bonds (the "Underwriter"), accepted and agreed to by the City and approved and accepted by the Corporation, the Series 2018B Bonds will be sold to the Underwriter, and the proceeds of such sale will be used as set forth in the Bond Indenture to finance the Project, to refund the Prior Bonds, if required, to fund a debt service reserve fund under the Bond Indenture, to finance capitalized interest on the Series 2018B Bonds, if necessary, and to pay costs incurred in connection with the issuance of the Series 2018B Bonds;

WHEREAS, the Series 2018B Bonds will be offered for sale through an official statement (the "Official Statement") to be used by the Underwriter in connection with the offering and sale of the Series 2018B Bonds;

WHEREAS, the Series 2018B Bonds may, at the sole option of the Corporation, be insured by a municipal bond insurer (the "Bond Insurer") if an offer to purchase such insurance is made to the Corporation and it is economical to do so;

WHEREAS, there have been made available to the Council the following documents and agreements:

(1) A proposed form of the Bond Indenture;

(2) A proposed form of the Loan Agreement;

(3) A proposed form of the Bond Purchase Agreement; and

(4) A proposed form of the Official Statement.

WHEREAS, pursuant to section 5852.1 of the California Government Code, the City, as a conduit financing provider, has received certain representations and good faith estimates and has disclosed such good faith estimates as set forth on Exhibit A attached hereto;

NOW, THEREFORE, it is hereby DECLARED and ORDERED, as follows:

Section 1. Pursuant to the Law and the Bond Indenture, the City is hereby authorized to issue its revenue bonds, designated as the "City of Oroville Revenue Bonds (Oroville Hospital),

Series 2018B" in an aggregate principal amount not to exceed two hundred eighty-five million dollars ($285,000,000), with such other name or series designation thereof as set forth in the Bond Indenture. The Series 2018B Bonds shall be issued and secured in accordance with the terms of, and shall be in the form set forth in, the Bond Indenture. The Corporation's obligations with respect to the Series 2018B Bonds or any portion of them may, at the sole option of the Corporation, be secured by one or more deeds of trust, reserve funds, bond insurance, or other security arrangements. The Series 2018B Bonds shall be executed on behalf of the City by the manual or facsimile signature of the Mayor, the City Administrator or the Finance Director or their designees (each, an "Authorized Signatory"), and attested by the manual or facsimile signature of the City Clerk or any Deputy or Assistant City Clerk.

Section 2. The proposed form of Bond Indenture, as made available to the Council, is hereby approved. Any Authorized Signatory is hereby authorized and directed, for and on behalf of the City, to execute and deliver the Bond Indenture in said form, with such changes and insertions therein, including changes to the form of Bond Indenture made available to the Council to provide for the issuance of the Series 2018B Bonds, as any Authorized Signatory, with the advice of counsel to the City, may approve, such approval to be conclusively evidenced by the execution and delivery thereof. The series designation, dated date, maturity date or dates, interest rate or rates, interest payment dates, denominations, forms, registration privileges, manner of execution, place or places of payment, terms of redemption, whether the Series 2018B Bonds will be secured by a debt service reserve fund, whether all or a particular portion of the Series 2018B Bonds will be insured by the Bond Insurer, and other terms of the Series 2018B Bonds shall be as provided in the Bond Indenture, as finally executed.

Section 3. The proposed form of Loan Agreement, as made available to the Commissioners, is hereby approved. Any Authorized Signatory is hereby authorized and directed, for and on behalf of the City, to execute and deliver the Loan Agreement in said form, with such changes and insertions therein, including changes to the form of Loan Agreement made available to the Council related to the loan of proceeds of Series 2018B Bonds insured by the Bond Insurer, as any Authorized Signatory, with the advice of counsel to the City, may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The proposed form of the Bond Purchase Agreement, as made available to the Commissioners, is hereby approved. Any Authorized Signatory is hereby authorized and directed, for and on behalf of the City, to execute and deliver the Bond Purchase Agreement, in said form, with such changes and insertions therein, including changes to the form of Bond Purchase Agreement made available to the Council related to the purchase of Series 2018B Bonds insured by the Bond Insurer, as any Authorized Signatory, with the advice of counsel to the City, may approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The proposed preliminary form of the Official Statement, as made available to the Commissioners, including with such changes and insertions therein related to the Bond Insurer insuring any portion of the Series 2018B Bonds, is hereby approved. The Underwriter is hereby authorized to distribute the Official Statement in preliminary form, to persons who may be interested in the purchase of the Series 2018B Bonds and to deliver the Official Statement in

final form, in substantially the form of the preliminary Official Statement, to the purchasers of the Series 2018B Bonds.

Section 6. The Series 2018B Bonds, when executed as provided in Section 1, shall be delivered to the Bond Trustee for authentication by the Bond Trustee. The Bond Trustee is hereby requested and directed to authenticate the Series 2018B Bonds by executing the Bond Trustee's Certificate of Authentication and Registration appearing thereon, and to deliver the Series 2018B Bonds, when duly executed and authenticated, to the Underwriter in accordance with written instructions executed on behalf of the City by an Authorized Signatory, which any Authorized Signatory, acting alone, is authorized and directed, for and on behalf of the City, to execute and deliver to the Bond Trustee. Such instructions shall provide for the delivery of the Series 2018B Bonds to the Underwriter, upon payment of the purchase price thereof.

Section 7. The Mayor, the City Administrator, the Finance Director and other appropriate officers of the City are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the City, to execute and deliver any and all documents, including, without limitation, any and all documents and certificates to be executed in connection with securing credit support, if any, for the Series 2018B Bonds, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the City has approved in this Resolution and to consummate by the City the transactions contemplated by the documents approved hereby, including any subsequent amendments, waivers or consents entered into or given in accordance with such documents.

Section 8. If the Corporation is is successful in negotiating revised terms with MUFG Union Bank, N.A., the purchaser of the Prior Bonds, to comply with the provisions of the Series 2018B Bonds, it may be necessary that certain of the documents relating to the Prior Bonds, including the bond indenture and the loan agreement relating thereto, be amended. Any Authorized Signatory is hereby authorized and directed, for and on behalf of the City, to execute and deliver such amendments and other documents as may be required so that the provisions of the Prior Bonds are, to the extent necessary, consistent with the terms of the Series 2018B Bonds and the documents relating thereto

Section 9. All actions heretofore taken by the Mayor, the City Administrator, the Finance Director and other appropriate officers of the City with respect to the issuance of the Series 2018B Bonds are hereby ratified, confirmed and approved.

Section 10. This resolution shall take effect immediately upon its adoption.

* * * * * * * * * *

PASSED, APPROVED AND ADOPTED this 6th day of November, 2018.

Mayor of the City of Oroville

ATTEST:

City Clerk of the City of Oroville

EXHBIT A

INFORMATION REQUIRED BY SECTION 5852.1 OF THE CALIFORNIA GOVERNMENT CODE

(A) Bond proceeds expected: $264,000,000

(B) The true interest cost of the Bonds: 4.700%

(C) The sum of all fees and charges paid to third parties: $4,300,000

(D) Amount required to prepay the Prior Bonds: $20,600,000

(E) Amount required to fund a reserve fund for the Bonds: $17,400,000

(F) Capitalized interest: $21,700,000

(G) The amount of proceeds to be received less the sum of all fees and charges paid to third parties, any reserves or capitalized interest and any refunding: $200,000,000

(H) The sum total of all payments the corporation will make to pay debt service on the Bonds, calculated to the final maturity of the Bonds: $520,000,000

The foregoing constitute good faith estimates only.

The principal amount of the Bonds, the true interest cost of the Bonds, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds sold being different from the estimated amount used for purposes of such estimates, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the Corporation's financing plan, or a combination of such factors, including the refunding of the Prior Bond. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined based on the timing of the need for proceeds of the Bonds and other factors. The actual interest rates with respect to the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the City and the Corporation.

CITY OF OROVILLE

RESOLUTION NO. 8758

RESOLUTION, REQUIRED BY THE SECTION 147(f) OF THE INTERNAL REVENUE CODE, APPROVING ISSUANCE BY THE CITY OF OROVILLE OF REVENUE BONDS FOR THE BENEFIT OF OROVILLE HOSPITAL IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $285,000,000

RESOLVED, by the City Council (the "Council") of the City of Oroville, California (the "City"), as follows:

WHEREAS, the City is a municipal corporation and charter city duly organized and existing under a freeholders' charter pursuant to which the City has the right and power to make and enforce all laws and regulations in respect to municipal affairs and certain other matters in accordance with and as more particularly provided in sections 3, 5 and 7 of article XI of the Constitution of the State of California and the charter of the City (the "Charter");

WHEREAS, the City Council of the City, acting under and pursuant to the powers reserved to the City under sections 3, 5 and 7 of article XI of the Constitution of the State of California and section 2 of article XXX of the Charter, has adopted the City of Oroville Health Facilities Financing Law (the "Law"), establishing a program and procedure for the authorization, sale and issuance of revenue bonds by the City for the purpose, *inter alia*, of providing financing or refinancing for health facilities;

WHEREAS, Oroville Hospital (the "Corporation") has requested the financial assistance of the City in the financing and refinancing of the acquisition, construction, improvement, renovation and/or equipping of certain health care facilities (the "Project") owned or to be owned and/or operated by the Corporation which facilities are or will be located in the City and, after due investigation and deliberation, the City has approved said request and authorized the issuance of its City of Oroville, Revenue Bonds (Oroville Hospital), Series 2018B (the "Series 2018B Bonds"), in the aggregate principal amount of not to exceed $285,000,000 to provide such assistance to the Corporation in accordance with the Law and in order to finance the Project;

WHEREAS, section 147(f) of the Internal Revenue Code of 1986, requires the Council, as the elected representative of the City, the host jurisdiction of such facilities, to approve the issuance of the Series 2018B Bonds after a public hearing following reasonable notice;

WHEREAS, a public hearing was held by the Council on Tuesday, November 6, 2018, at the hour of 7:00 P.M., in the City Council Chambers, at 1735 Montgomery Street, Oroville, California, following duly published notice thereof, and all persons desiring to be heard have been heard; and

WHEREAS, it is in the public interest and for the public benefit that the Council, as the elected representative of the City, the host jurisdiction of such facilities, approve the issuance of the Series 2018B Bonds;

NOW, THEREFORE, it is hereby DECLARED and ORDERED, as follows:

Section 1. The City Council of the City of Oroville, California, hereby finds, determines and declares that issuance by the City of the Series 2018B Bonds, in the maximum principal amount of $285,000,000, for the purposes described above, is hereby approved.

Section 2. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution and the financing transaction approved hereby.

Section 3. This resolution shall take effect immediately upon its adoption.

* * * * * * * * * *

PASSED, APPROVED AND ADOPTED this 6th day of November, 2018.

_____
Mayor of the City of Oroville

ATTEST:

_____
City Clerk of the City of Oroville

BOND INDENTURE

Dated as of December 1, 2018

By and between the

CITY OF OROVILLE

and

_____, as Bond Trustee

Relating to

$_____
City of Oroville
Revenue Bonds
(Oroville Hospital)
Series 2018B

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BOND INDENTURE

This BOND INDENTURE, made and entered into and dated as of December 1, 2018, by and between the CITY OF OROVILLE, CALIFORNIA, a municipal corporation and chartered city (the "City"), and _____, a national banking association organized and existing under the laws of the United States of America, being qualified to accept and administer the trusts hereby created (the "Bond Trustee");

W I T N E S S E T H:

WHEREAS, Oroville Hospital, a California nonprofit public benefit corporation (the "Corporation"), has applied for the financial assistance of the City in the financing of the Project (as defined herein), which is the acquisition, construction, improvement, renovation and/or equipping of certain health facilities (the "Facilities") owned and/or operated by the Corporation;

WHEREAS, the City has authorized the issuance of its City of Oroville Revenue Bonds (Oroville Hospital), Series 2018B (the "Bonds"), pursuant to this Bond Indenture, in an aggregate principal amount of $_____ to finance the Project;

WHEREAS, the City has duly entered into a Loan Agreement, dated as of December 1, 2018, with the Corporation, specifying the terms and conditions of a loan by the City to the Corporation of the proceeds of the Bonds to provide for the financing of the Project and of the payment by the Corporation to the City of amounts sufficient for the payment of the principal (or Redemption Price (as defined herein)) of and interest on the Bonds and certain related expenses; and

WHEREAS, pursuant to a Master Indenture of Trust, dated as of December 1, 2018 (as supplemented, amended or modified from time to time, the "Master Indenture"), by and among the Corporation, each other Member (as defined herein) from time to time party thereto and _____, a national banking association duly organized and existing under the laws of the United States of America, as master trustee (in such capacity, the "Master Trustee"), as supplemented by a Related Supplement for Obligation No. 1, dated as of December 1, 2018, and effective as of December __, 2018, between the Corporation, as Obligated Group Representative, and the Master Trustee, the Corporation, as Obligated Group Representative, has issued Obligation No. 1 to evidence the obligation of the Members to make payments sufficient to pay the principal of and interest on the Bonds;

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal (or Redemption Price) thereof and interest thereon, the City has authorized the execution and delivery of this Bond Indenture; and

WHEREAS, the Bonds, and the Bond Trustee's certificate of authentication and assignment to appear thereon, shall be in substantially the form set forth in Exhibit A, and incorporated into this Bond Indenture by this reference, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Bond Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when executed by the City, authenticated and delivered by the Bond Trustee and duly issued, the valid, binding and legal limited obligations of the City, and to constitute this Bond Indenture a valid and binding agreement for the uses and purposes herein set forth in

accordance with its terms, have been done and taken, and the execution and delivery of the Bond Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS BOND INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest on all Bonds at any time issued and outstanding under this Bond Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Holders thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the City does hereby covenant and agree with the Bond Trustee, for the benefit of the respective Holders from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Bond Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined.

"*Additional Payments*" means the payments so designated and required to be made by the Corporation pursuant to Section 4.2 of the Loan Agreement.

"*Administrative Fees and Expenses*" means any application, commitment, financing or similar fee charged, or reimbursement for administrative or other expenses incurred, by the City or the Bond Trustee and related to the Bonds.

"*Authorized Denominations*" means $5,000 or any integral multiple thereof.

"*Authorized Representative*" means with respect to the Corporation or any Member, the chairman of its Governing Board, its chief executive officer or its chief financial officer, or any other person designated as an Authorized Representative by a Certificate signed by one of the above parties and filed with the Bond Trustee.

"*Authorized Signatory*" means any member of the Commission of the City and any other person as may be designated and authorized to sign on behalf of the City pursuant to a resolution adopted thereby.

"*Beneficial Owner*" means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries).

"*Bond Counsel*" means legal counsel of recognized national standing in the field of obligations the interest on which is excluded from gross income for federal income tax purposes, selected by the Corporation and not objected to by the City.

"*Bond Indenture*" means this Bond Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Bond Indenture.

"*Bond Trustee*" means _____, a national banking association duly organized and existing under the laws of the United States of America, or its successor as provided in Section 8.01, as Bond Trustee hereunder.

"*Bonds*" means the City of Oroville Revenue Bonds (Oroville Hospital), Series 2018B, authorized by, and at any time Outstanding pursuant to, this Bond Indenture.

"*Serial Bonds*" means the Bonds payable with respect to principal at their specified maturity date, for which no Mandatory Sinking Account Payments are provided.

"*Term Bonds*" mean the Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for the purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

"*Bond Year*" means the period of twelve consecutive months ending on April 1 in any year in which Bonds are Outstanding, except for the initial Bond Year which commences on the Date of Issuance.

"*Business Day*" means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California, the State of New York or in any state in which the office of the Master Trustee or the Bond Trustee is located are authorized to remain closed or a day on which the New York Stock Exchange is closed.

"*Capitalized Interest Account*" means the subaccount by that name in the Interest Account established pursuant to Section 5.03.

"*Certificate*" "*Statement*" "*Request*," "*Requisition*" and "*Order*" of the City, the Corporation or any Member, mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the City by an Authorized Signatory, or in the name of the Corporation by an Authorized Representative of the Corporation or any Member. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements provided for in Section 1.02.

"*City*" means the City of Oroville, or its successors and assigns.

"*Code*" means the Internal Revenue Code of 1986, as amended, or any successor statute thereto, and any regulations promulgated thereunder.

"*Corporate Trust Office*" means the office of the Bond Trustee located at _____, Attention: Corporate Trust Department, or such other or additional offices as shall be specified by the Bond Trustee in writing delivered to the City and the Corporation.

"*Corporation*" means Oroville Hospital, a nonprofit public benefit corporation duly organized and existing under the laws of the State, or any corporation which is the surviving, resulting or transferee corporation in any merger, consolidation or transfer of assets permitted under the Master Indenture.

"*Costs of Issuance*" means all items of expense directly or indirectly payable by or reimbursable to the City or the Corporation and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Bond Trustee and the Master Trustee, initial and ongoing fees and charges of the City, legal fees and charges, fees and disbursements of consultants and professionals, Rating Agency fees, fees and charges for preparation, execution, transportation and safekeeping of the Bonds, and any other cost, charge or fee in connection with the original issuance of the Bonds.

"*Costs of Issuance Fund*" means the fund by that name established pursuant to Section 3.04.

"*Date of Issuance*" means December __, 2018.

"*Debt Service Reserve Fund*" means the account by that name established pursuant to Section 5.06 of this Bond Indenture.

"*Debt Service Reserve Fund Requirement*" means the least of (i) the maximum amount of principal and interest which shall be payable during the current or any succeeding Bond Year on the Bonds then Outstanding, (ii) an amount equal to 10% of the proceeds of the Bonds or (iii) calculated as of the date of issuance of the Bonds, an amount equal to 125% of the average annual debt service with respect to the Bonds then Outstanding in the current and each succeeding Bond Year.

"*Eligible Organization*" means an organization described in Section 501(c)(3) of the Code.

"*Environmental Regulations*" means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances, or chemical waste, materials or substances.

"*Event of Default*" means any of the events specified in Section 7.01.

"*Facilities*" means certain health care facilities owned and/or operated by the Corporation, located generally at 2767 Olive Highway, Oroville, California.

"*Favorable Opinion of Bond Counsel*" means, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be Bond Counsel, to the effect that such action is permitted under this Bond Indenture and will not, in and of itself, result in the inclusion of interest on the Bonds in gross income for federal income tax purposes.

"*Fiscal Year*" shall have the meaning set forth in the Master Indenture.

"*Fitch*" means Fitch Ratings, Inc. a corporation organized and existing under the laws of the State of New York, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice to the City and the Bond Trustee.

"*501(c)(3) Organization*" means an organization described in Section 501(c)(3) of the Code.

"*Governing Board*" means the board of directors, board of trustees or other board or group of individuals in which the power of a corporation or other entity is vested, except for those powers reserved to the corporate membership by the articles of incorporation or bylaws of such corporation or entity.

"*Governmental Unit*" means a state or local governmental unit as defined in Treasury Regulations §1.103-1 or any instrumentality thereof, excluding the United States or any agency or instrumentality thereof.

"*Hazardous Substances*" means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Project or to persons on or about the Project or (ii) cause the Project to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of "waste," "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of

similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; the California Hazardous Waste Control Law ("HWCL"), Cal. Health & Safety Code §§ 25100 et seq.; the Hazardous Substance Account Act ("HSAA"), Cal. Health & Safety Code §§ 25300 et seq.; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety Code §§ 25280 et seq.; the Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), Cal. Water Code §§ 13000 et seq., the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Project or the owners and/or occupants of property adjacent to or surrounding the Project, or any other person coming upon the Project or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

"*Holder*" or "*Bondholder*" whenever used herein with respect to a Bond, means the Person in whose name such Bond is registered.

"*Interest Account*" means the account by that name established in the Revenue Fund pursuant to Section 5.02.

"*Interest Payment Date*" means April 1 and October 1 of each year, commencing April 1, 2019.

"*Investment Securities*" means any of the following:

(a) United States Government Obligations;

(b) bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies or any other like governmental or government-sponsored agencies that are hereafter created: Federal Farm Credit Bank; Federal Intermediate Credit Banks; Federal Financing Bank; Federal Home Loan Bank System; Federal Home Loan Mortgage Corporation; Federal National Mortgage Association; Tennessee Valley Authority; Student Loan Marketing Association; Export-Import Bank of the United States; Farmers Home Administration; Small Business Administration; Inter-American Development Bank; International Bank for Reconstruction and Development; Federal Land Banks; and Government National Mortgage Association;

(c) direct and general obligations of any state of the United States of America or any municipality or political subdivision of such state, or obligations of any municipal corporation, if such obligations are rated at the time of investment in one of the three highest Rating Categories by any Rating Agency;

(d) commercial paper rated at the time of investment in the highest Rating Category by any Rating Agency;

(e) unsecured certificates of deposit, time deposits and bankers' acceptance (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated on the date of purchase "A-1+" or better by S&P and "P-1" by Moody's and or certificates of deposit (including those of the Bond Trustee, its parent and its affiliates) secured at all times by collateral that may be used by a national bank for purposes of satisfying its obligations to

collateralize pursuant to federal law which are issued by commercial banks, savings and loan associations or mutual savings bank whose short-term obligations are rated on the date of purchase A-1 or better by S&P, Moody's and Fitch;

(f) repurchase agreements with respect to obligations listed in paragraph (a) or (b) above if entered into with a bank, a trust company or a broker or dealer (as defined by the Securities Exchange Act of 1934) that is a dealer in government bonds, that reports to, trades with and is recognized as a primary dealer by a Federal Reserve Bank, if such obligations that are the subject of such repurchase agreement are delivered to the Bond Trustee or are supported by a safekeeping receipt issued by a third party custodian (other than the Bond Trustee), provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than monthly, of not less than the repurchase price;

(g) shares or certificates in any short-term investment fund that is maintained or utilized by the Bond Trustee and which fund invests solely in other Investment Securities;

(h) investment agreements with any financial institution that at the time of investment has long-term obligations rated in one of the three highest Rating Categories by any Rating Agency;

(i) shares or certificates in any mutual fund invested solely in Investment Securities described in clauses (a)-(h) of this definition; and

(j) obligations (including asset-backed and mortgaged-backed obligations) of any corporation, partnership, trust or other entity which are rated at the time of investment in one of the two highest Rating Categories by any Rating Agency.

"*Law*" means the City of Oroville Health Facility Financing Law, constituting Chapter 11-B of Part II of the Oroville Municipal Code, as now in effect.

"*Loan Agreement*" means that certain Loan Agreement by and between the City and the Corporation, dated as of December 1, 2018, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Bond Indenture.

"*Loan Default Event*" means any of the events specified in Section 6.1 of the Loan Agreement.

"*Loan Repayments*" means the payments so designated and required to be made by the Corporation pursuant to Section 4.1 of the Loan Agreement.

"*Mandatory Sinking Account Payment*" means the amount required by Section 5.04(c) to be paid on any single date for the retirement of Term Bonds.

"*Master Indenture*" means that certain Master Indenture of Trust, dated as of December 1, 2018, among the Corporation, any other future Members and the Master Trustee and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof.

"*Master Trustee*" means _____, a national banking association duly organized and existing under the laws of the United States of America, or its successor, as successor master trustee under the Master Indenture.

"*Member*" means, at any given time, each Person then obligated as a Member, as such term is defined under the Master Indenture.

"*Moody's*" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice to the City and the Bond Trustee.

"*Obligated Group*" means, at any given time, all the Members under the Master Indenture at such time.

"*Obligated Group Representative*" shall have the meaning set forth in Section 1.01 of the Master Indenture.

"*Obligation No. 1*" means the obligation issued under the Master Indenture and Related Supplement No. 1.

"*Opinion of Counsel*" means a written opinion of counsel (who may be counsel for the City) selected by the Corporation and not objected to by the City or the Bond Trustee. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements provided for in Section 1.02.

"*Optional Redemption Account*" means the account by that name in the Redemption Fund established pursuant to Section 5.05.

"*Outstanding*," when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Bond Trustee under this Bond Indenture except: (1) Bonds theretofore cancelled by the Bond Trustee or surrendered to the Bond Trustee for cancellation; (2) Bonds with respect to which all liability of the City shall have been discharged in accordance with Section 10.02, including Bonds (or portions of Bonds) referred to in Section 11.10; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Bond Trustee pursuant to this Bond Indenture.

"*Person*" means an individual, corporation, firm, association, partnership, joint venture, trust or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"*Principal Account*" means the account by that name established in the Revenue Fund pursuant to Section 5.02.

"*Principal Payment Date*" means, with respect to a Bond, the date on which principal evidenced by such Bond becomes due and payable, whether at maturity, upon redemption, by declaration of acceleration or otherwise.

"*Project*" means costs of the construction, improvement and equipping of certain of the Facilities, which will be financed or reimbursed with proceeds of the Bonds.

"*Project Fund*" means the fund by that name established pursuant to Section 3.03.

"*Rating Agency*" or "*Rating Agencies*" mean, individually or collectively, S&P, Moody's, Fitch or any national rating agency then rating the Bonds.

"*Rating Category*" means one of the general rating categories of S&P, Moody's, Fitch or any national rating agency, whether then rating the Bonds or not, without regard to any refinement or gradation of such rating category by numerical modifier or otherwise.

"*Rebate Fund*" means the fund by that name established pursuant to Section 5.07.

"*Record Date*" means the fifteenth (15th) day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

"*Redemption Fund*" means the fund by that name established pursuant to Section 5.05.

"*Redemption Price*" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and this Bond Indenture.

"*Related Supplement No. 1*" means that certain Related Supplement for Obligation No. 1, dated as of December 1, 2018 and effective as of December __, 2018, between the Corporation, as Obligated Group Representative, and the Master Trustee.

"*Reserve Facility*" means any insurance policy or surety meeting the requirements set forth in Section 5.06(c), and delivered to the Bond Trustee in satisfaction of all or a portion of the Debt Service Reserve Fund Requirement.

"*Revenue Fund*" means the fund by that name established pursuant to Section 5.01(c).

"*Revenues*" means all amounts received by the City or the Bond Trustee for the account of the City pursuant or with respect to the Loan Agreement or Obligation No. 1, including, without limiting the generality of the foregoing, Loan Repayments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments, insurance proceeds, condemnation proceeds, and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Bond Indenture, but not including any Additional Payments or Administrative Fees and Expenses or any moneys required to be deposited to the Rebate Fund.

"*S&P*" means S&P Global Ratings, a business of Standard & Poor's Financial Services LLC, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Corporation by notice to the City and the Bond Trustee.

"*Securities Depository*" means The Depository Trust Company and its successors and assigns, or any other Securities Depository selected as set forth in Section 2.09 which agrees to follow the procedures required to be followed by such Securities Depository in connection with the Bonds.

"*Sinking Account*" means each subaccount in the Principal Account so designated and established pursuant to Section 5.04(b).

"*Special Record Date*" means the date established by the Bond Trustee pursuant to Section 2.02 as a record date for the payment of defaulted interest on the Bonds.

"*Special Redemption Account*" means the account by that name in the Redemption Fund established pursuant to Section 5.05.

"*State*" means the State of California.

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

"*Tax Certificate*" means the Tax Certificate and Agreement delivered by the City and the Corporation at the time of issuance and delivery of the Bonds, as the same may be amended or supplemented in accordance with its terms.

"*United States Government Obligations*" means:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of which are fully guaranteed by the United States of America;

(2) certificates or other instruments that evidence direct ownership of future principal and/or interest on obligations described in clause (1), provided that such obligations are held in the custody of a bank or trust company in a special account separate from the general assets of such custodian; and

(3) obligations (a) the interest on which is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, (b) the timely payment of the principal of and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clauses (1) or (2), and (c) that are rated at the time of deposit in trust or escrow in the highest Rating Category by any Rating Agency.

SECTION 1.02. Content of Certificates and Opinions. Every certificate or opinion provided for in this Bond Indenture with respect to compliance with any provision hereof shall include (1) a statement that the Person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such Person, he or she has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his or her signature is affixed; (4) a statement of the assumptions, if any, upon which such certificate or opinion is based; and (5) a statement as to whether, in the opinion of such Person, such provision has been complied with.

Any such certificate or opinion made or given by an officer of the City or the Corporation may be based, insofar as it relates to legal, accounting or hospital matters, upon a certificate or opinion of or representation by counsel, an accountant or a management consultant, unless such officer knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion

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

SECTION 1.03. Interpretation.

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

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

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

ARTICLE II

THE BONDS

SECTION 2.01. Authorization of Bonds. An issue of Bonds to be issued hereunder in order to obtain moneys for the benefit of the City and the Corporation is hereby created. The Bonds are designated as "City of Oroville Revenue Bonds (Oroville Hospital), Series 2018B." The aggregate principal amount of Bonds that may be issued and Outstanding under this Bond Indenture shall not exceed $_____. This Bond Indenture constitutes a continuing agreement with the Holders from time to time of the Bonds to secure the full payment of the principal of and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

SECTION 2.02. Terms of the Bonds. The Bonds shall be issued as fully registered Bonds in Authorized Denominations. The Bonds shall be initially registered in the name of Cede & Co., as nominee of the Securities Depository, or any successor thereto. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in this Article II. The Bonds shall be dated as of the Date of Issuance, and interest thereon shall be payable on each Interest Payment Date. The Bonds shall mature on the following dates in the following amounts (subject to the right of prior redemption set forth in Article IV) and shall bear interest at the following rates per annum:

Maturity (April 1)	Principal Amount	Interest Rate

The principal or Redemption Price of the Bonds shall be payable in lawful money of the United States of America at the Corporate Trust Office of the Bond Trustee upon surrender of the Bonds to the Bond Trustee for cancellation. Payment of the interest on any Bond shall be made on each Interest Payment Date to the Holder thereof as of the Record Date for such Interest Payment Date by check mailed by first-class mail to such Holder at his address as it appears on the registration books maintained by the Bond Trustee or, upon the written request of any Holder of at least $1,000,000 in principal amount of Bonds, submitted to the Bond Trustee at least one Business Day prior to the Record Date, by wire transfer in immediately available funds to an account within the United States of America designated by such Bondholder. Notwithstanding the foregoing, so long as the Bonds are registered in book-entry form, the principal or Redemption Price of, and interest on, the Bonds shall be payable in accordance with the payment procedures of the Securities Depository.

The Bonds shall be numbered in consecutive numerical order from R-1 upwards, and each such Bond shall bear interest from the Date of Issuance. Interest shall be calculated on a three hundred sixty- (360)-day year basis comprised of twelve (12) thirty- (30)-day months.

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Record Date and shall be paid to the Person in whose name the Bond is registered at the close of business on a special record date ("Special Record Date") for

the payment of such defaulted interest to be fixed by the Bond Trustee, notice of which shall be given to the Holders by first-class mail not less than ten (10) days prior to such Special Record Date.

The Bonds shall be subject to redemption as provided in Article IV.

SECTION 2.03. Execution of Bonds. The Bonds shall be executed on behalf of the City by the manual or facsimile signature of the Chair of the City or the manual signature of any Authorized Signatory, and attested by the manual or facsimile signature of the Secretary of the City or the Assistant to the Secretary of the City or the manual signature of any Authorized Signatory. The Bonds shall then be delivered to the Bond Trustee for authentication by it. In case any officer of the City or Authorized Signatory who shall have signed or attested any of the Bonds shall cease to be such officer or Authorized Signatory before the Bonds so signed or attested shall have been authenticated or delivered by the Bond Trustee or issued by the City, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the City as though those who signed and attested the same had continued to be such officers of the City or Authorized Signatory, and also any Bond may be signed and attested on behalf of the City by such persons as at the actual date of execution of such Bond shall be the proper officers of the City or Authorized Signatory although at the nominal date of such Bond any such person shall not have been such officers of the City or Authorized Signatory.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form attached hereto as Exhibit A, manually executed by an authorized signatory of the Bond Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Bond Indenture, and such certificate of the Bond Trustee shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Bond Indenture.

SECTION 2.04. Transfer of Bonds. Subject to the provisions of Section 2.08, Section 2.09 and Section 2.10, any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.06, by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Bond Trustee, and such other documentation as the Bond Trustee may reasonably require.

Whenever any Bond or Bonds shall be surrendered for transfer, the City shall execute and the Bond Trustee shall authenticate and deliver a new Bond or Bonds, of the same maturity and for a like aggregate principal amount of Authorized Denominations. The Bond Trustee shall require the Bondholder requesting such transfer to pay any tax or other governmental charge or charge imposed by the Bond Trustee required to be paid with respect to such transfer. The Bond Trustee shall not be required to transfer (i) any Bond during the fifteen (15) days next preceding the date on which notice of redemption of Bonds is given or (ii) any Bond called for redemption.

SECTION 2.05. Exchange of Bonds. Bonds may be exchanged at the Corporate Trust Office of the Bond Trustee for a like aggregate principal amount of Bonds of other Authorized Denominations of the same maturity. The Bond Trustee shall require the Bondholder requesting such exchange to pay any tax or other governmental charge or charge imposed by the Bond Trustee required to be paid with respect to such exchange. The Bond Trustee shall not be required to exchange (i) any Bond during the fifteen (15) days next preceding the date on which notice of redemption of Bonds is given or (ii) any Bond called for redemption.

SECTION 2.06. Bond Register. The Bond Trustee will keep or cause to be kept sufficient books for the registration and transfer of the Bonds, which shall at all times, upon reasonable notice, be open to inspection by any Bondholder or his agent duly authorized in writing, the City or the Corporation; and, upon presentation for such purpose, the Bond Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, Bonds as hereinbefore provided.

The Person in whose name any Bond shall be registered shall be deemed the owner thereof for all purposes thereof, and payment of or on account of the interest and principal or Redemption Price represented by such Bond shall be made only to or upon the order in writing of such Holder, which payment shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

SECTION 2.07. Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be of such Authorized Denominations as may be determined by the City, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Bond Indenture as may be appropriate. A temporary Bond may be in the form of a single fully registered Bond payable in installments, each on the date, in the amount and at the rate of interest established for the Bonds maturing on such date. Every temporary Bond shall be executed by the City and be authenticated by the Bond Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Corporate Trust Office of the Bond Trustee, and the Bond Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of Authorized Denominations of the same maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Bond Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.08. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the City, at the expense of the Holder of said Bond, shall execute, and the Bond Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Bond Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Bond Trustee shall be cancelled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Bond Trustee and, if such evidence be satisfactory and indemnity satisfactory to the Bond Trustee and the City shall be given, the City, at the expense of the Holder, shall execute, and the Bond Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured, instead of issuing a substitute Bond, the Bond Trustee may pay the same without surrender thereof upon receipt of the above-mentioned indemnity). The Bond Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the City and the Bond Trustee in complying with this Section. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Bond Indenture with all other Bonds secured by this Bond Indenture.

SECTION 2.09. Use of Securities Depository.

(a) The Bonds shall initially be issued as provided in Section 2.02. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except, subject to Section 2.10:

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

(ii) To any substitute Securities Depository designated by the City (at the direction of the Corporation) and not objected to by the Bond Trustee, upon (1) the resignation of the Securities Depository or its successor (or any substitute Securities Depository or its successor); or (2) a determination by the City (at the direction of the Corporation) that the Securities Depository or its successor (or any substitute Securities Depository or its successor) is no longer able to carry out its functions as Securities Depository; provided, that any such substitute Securities Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any Person as provided below, upon (1) the resignation of the Securities Depository (or substitute Securities Depository or its successor) from its functions as Securities Depository; provided, that no substitute Securities Depository which is not objected to by the Bond Trustee can be obtained or (2) a determination by the City (with the concurrence of the Corporation) that it is in the best interests of the City to remove the Securities Depository (or any substitute Securities Depository or its successor) from its functions as Securities Depository.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) hereof, upon receipt of the Outstanding Bonds by the Bond Trustee, together with a Certificate of the City to the Bond Trustee, a single new Bond for each maturity shall be executed and delivered in the aggregate principal amount of the Bonds of such maturity then Outstanding, registered in the name of the Securities Depository or such substitute Securities Depository, or their nominees, as the case may be, all as specified in such Certificate of the City. In the case of any transfer pursuant to clause (iii) of subsection (a) hereof, upon receipt of the Outstanding Bonds by the Bond Trustee, new Bonds shall be executed and delivered in such denominations numbered in consecutive order from R-1 up and registered in the names of such Person as are requested in such a Statement of the City, subject to the limitations of Section 2.02, provided the Bond Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such Certificate of the City.

(c) If the Bonds are registered in the name of a Securities Depository as provided herein, in the case of partial redemption or an advance refunding of the Bonds evidencing all or a portion of the principal amount then Outstanding, the Securities Depository shall make an appropriate notation on the Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Bond Trustee.

(d) The City, the Corporation and the Bond Trustee shall be entitled to treat the Person in whose name any Bond is registered as the Bondholder thereof for all purposes of the Bond Indenture and any applicable laws, notwithstanding any notice to the contrary received by an officer of the Bond Trustee or the City; and the City and the Bond Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise

dealing with any Beneficial Owners of the Bonds. Neither the City, the Corporation nor the Bond Trustee shall have any responsibility or obligation, legal or otherwise, to the Beneficial Owners or to any other party including the Securities Depository or its successor (or substitute Securities Depository or its successor), except to the Holder of any Bond.

(e) Notwithstanding any other provision of this Bond Indenture to the contrary, so long as all Bonds are registered in the name of any nominee of the Securities Depository, any requirement for transfer or delivery of the Bonds, with respect to redemption or otherwise, may be effectuated by providing appropriate transfer instructions to the Securities Depository.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

SECTION 3.01. Issuance of Bonds. At any time after the execution of this Bond Indenture, the City may execute and the Bond Trustee shall authenticate and, upon Order of the City, deliver the Bonds in the aggregate principal amount of _____ dollars ($_____).

SECTION 3.02. Application of Proceeds of Bonds and Certain Other Moneys.

(a) The net proceeds received from the sale of the Bonds in the amount of $_____ (consisting of the aggregate principal amount of the Bonds of $_____, plus an original issue premium of $_____ and less an underwriter's discount of $_____) shall be deposited in trust with the Bond Trustee, who shall forthwith deposit such funds as follows:

(i) The Bond Trustee shall deposit in the Costs of Issuance Fund the sum of $_____ to be applied to the payment of Costs of Issuance.

(ii) The Bond Trustee shall deposit in the Capitalized Interest Account the sum of $_____ to be applied to pay interest on the Bonds as set forth in Section 5.03.

(iii) The Bond Trustee shall deposit in the Project Fund the sum of $_____.

(iv) The Bond Trustee shall deposit in the Debt Service Reserve Fund the sum of $_____, an amount equal to the Debt Service Reserve Fund Requirement.

(b) The Bond Trustee may, in its discretion, establish a temporary fund or account to properly account for or facilitate the foregoing deposits and transfers and shall create, hold and maintain a Rebate Fund as further described herein and in the Tax Certificate.

SECTION 3.03. Establishment and Application of Project Fund.

(a) The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the "Project Fund." The moneys in the Project Fund shall be used and withdrawn by the Bond Trustee to pay the costs of the Project. No moneys in the Project Fund shall be used to pay Costs of Issuance or interest accruing on the Bonds.

(b) Before any payment from the Project Fund for costs of the Project shall be made, the Corporation shall file or cause to be filed (including by another Member, as applicable) with the Bond Trustee a Requisition, in substantially the form attached hereto as Exhibit B, stating among other things:

(i) the item number of such payment;

(ii) the name of the Person to whom each such payment is due, which may be a third party or may be the Corporation, as Obligated Group Representative, or a Member of the Obligated Group in the case of reimbursement for Project costs theretofore paid by a Member of the Obligated Group;

(ii) the respective amounts to be paid; and

(iv) the purpose by general classification for which each obligation to be paid was incurred.

(c) Upon receipt of a Requisition, the Bond Trustee shall pay the amount set forth in such Requisition on the same day it is received (if received by 10:00 a.m. California time and otherwise on the next succeeding Business Day) as directed by the terms thereof out of the Project Fund. The Bond Trustee shall not make any such payment if the Bond Trustee has received any written notice, or to the best of its knowledge the Bond Trustee is made aware, of claim of lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the monies to be so paid, that has not been released or will not be released simultaneously with such payment. Each such Requisition shall be sufficient evidence to the Bond Trustee of the facts stated therein and the Bond Trustee shall have no duty to confirm the accuracy of such facts.

(d) When the Project shall have been completed, there shall be delivered to the Bond Trustee a Certificate of the Corporation stating the fact and date of such completion and stating that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims that are subject to dispute and for which a retention in the Project Fund is to be maintained in the full amount of such claims until such dispute is resolved). Upon the receipt of such Certificate, the Bond Trustee shall, as directed by said Certificate, transfer any remaining balance in such Project Fund to the Interest Account. Upon such transfer, the Project Fund shall be closed.

SECTION 3.04. Establishment and Application of Costs of Issuance Fund. The Bond Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." Moneys deposited in said fund shall be used and withdrawn by the Bond Trustee to pay Costs of Issuance of the Bonds upon receipt by the Bond Trustee of a Requisition of the Corporation stating the Person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. All payments from the Costs of Issuance Fund shall be reflected in the Bond Trustee's regular accounting statements. No later than the date that is six months after the Date of Issuance, or earlier upon Request of the Corporation, amounts, if any, remaining in the Costs of Issuance Fund shall be transferred to the Project Fund and the Costs of Issuance Fund shall thereafter be closed.

SECTION 3.05. Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the City or the Bond Trustee with respect to or in connection with the Loan Agreement. The recital contained in the Bonds that all acts and proceedings required by the Constitution and laws of the State to exist, to have happened and to have been performed precedent to and in the issuance thereof shall be conclusive evidence of the validity of the Bonds and the validity of the obligations which they represent and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

SECTION 4.01. Terms of Redemption.

(a) The Term Bonds maturing on April 1, ____; April 1, ____; April 1, ____; April 1, ____; and April 1, ____, are subject to redemption prior to their respective stated maturities in part, by lot, from Mandatory Sinking Account Payments established in Section 5.04(c) on each April 1 on or after April 1, ____; April 1, ____; April 1, ____; April 1, ____; and April 1, ____, respectively, at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium. In the event of a redemption of Term Bonds pursuant to Section 4.01(b) or 4.01(c), the Corporation shall provide the Bond Trustee with a revised Mandatory Sinking Account Payments schedule.

(b) The Bonds maturing on or after April 1, ____, are subject to optional redemption prior to their respective stated maturities, at the option of the City (which option shall be exercised upon Request of the Corporation given (unless waived by the Bond Trustee in its sole discretion) at least twenty-five (25) days prior to such redemption date), from any source of available funds, in whole or in part (in such amounts and maturities as may be specified by the Corporation, or if the Corporation does not specify such maturities, in inverse order of maturity, and by lot within a maturity), on any date on or after April 1, ____, at a Redemption Price equal to 100% of the principal amount of Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

(c) The Bonds are subject to special redemption prior to their respective stated maturities, at the option of the City (which option shall be exercised upon Request of the Corporation given to the Bond Trustee (unless waived by the Bond Trustee in its sole discretion) at least twenty-five (25) days prior to the date fixed for redemption) in whole or in part (in such amounts and maturities as may be designated by the Corporation or, if the Corporation does not designate such maturities, in inverse order of maturity, and by lot within a maturity), on any date, from hazard insurance or condemnation proceeds received with respect to the Facilities and deposited in the Special Redemption Account pursuant to Section 4.4 of the Loan Agreement, at a Redemption Price equal to 100% of the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

SECTION 4.02. Selection of Bonds for Redemption. Whenever provision is made in this Bond Indenture for the redemption of less than all of the Bonds or any given portion thereof, the Bond Trustee shall select the Bonds to be redeemed, from all Bonds subject to redemption or such given portion thereof not previously called for redemption, by lot; provided, however that in such instances as provided for herein where the Corporation is to specify the maturities of Bonds to be redeemed, the Bond Trustee shall redeem Bonds in accordance with any such specification.

SECTION 4.03. Notice of Redemption.

(a) Notice of redemption shall be given by the Bond Trustee, not less than twenty (20) days and not more than sixty (60) days prior to the redemption date, to the Securities Depository, or if the Bonds are no longer held in book-entry form to the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Bond Trustee by first-class mail. Each notice of redemption shall state the date of such notice, the Date of Issuance, the redemption date, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Bond

Trustee) the maturity (including CUSIP numbers, if any), and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that, subject to prior rescission and to satisfaction of any conditions to redemption as provided in the next paragraph of this Section, on said date there will become due and payable on each of said Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered.

Each such notice shall also state that such redemption is conditional upon receipt by the Bond Trustee on or prior to the date fixed for such redemption of sufficient moneys to pay the Redemption Price of the Bonds to be redeemed and that if such amounts shall not have been so received the notice shall be of no force and effect and the City shall not be required to redeem such Bonds. The City (at the request of the Corporation) may also instruct the Bond Trustee to provide notice of redemption conditioned on the occurrence of any other event if such notice states that if such event does not occur the notice shall be of no force and effect and the City shall not be required to redeem such Bonds. In the event that a notice of redemption contains such a condition and such amounts are not so received or such event does not occur, the redemption shall not be made and the Bond Trustee shall thereafter as soon as practicable give notice to the same parties and in the same manner as the notice of redemption that such amounts were not received or such event did not occur and such redemption was not made.

(b) Any notice of optional or special redemption hereunder may be rescinded by written notice given by the Corporation to the Bond Trustee no later than two Business Days prior to the date specified for redemption. The Bond Trustee shall give notice of such rescission as soon thereafter as practicable to the same parties and in the same manner as the notice of redemption was given pursuant to this Section 4.03.

(c) Failure by the Bond Trustee to mail notice of redemption pursuant to this Section 4.03 to any one or more of the respective Holders of any Bonds designated for redemption (or failure by any such Holder or Holders to receive said notice) shall not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

(d) Notice of redemption of Bonds shall be given by the Bond Trustee, at the expense of the Corporation, for and on behalf of the City.

SECTION 4.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the City shall execute and the Bond Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Corporation, a new Bond or Bonds of Authorized Denominations, and of the same maturity, equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

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

Redemption Price and accrued interest to the date fixed for redemption from funds held by the Bond Trustee for such payment.

(b) All Bonds redeemed pursuant to the provisions of this Article shall be cancelled upon surrender thereof.

SECTION 4.06. Purchase in Lieu of Redemption. Each Holder or Beneficial Owner, by purchase and acceptance of any Bond, irrevocably grants to the Corporation the option to purchase such Bond at any time such Bond is subject to optional redemption as described in Section 4.01 of this Bond Indenture. Such Bond is to be purchased at a purchase price equal to the then applicable Redemption Price of such Bond. The Corporation shall deliver a Favorable Opinion of Bond Counsel to the Bond Trustee, and shall direct the Bond Trustee to provide notice of mandatory purchase, such notice to be provided, as and to the extent applicable, in accordance with Section 4.03 of this Bond Indenture and to select Bonds subject to mandatory purchase in the same manner as Bonds called for redemption pursuant to this Bond Indenture. On the date fixed for purchase of any Bond in lieu of redemption as described in this Section, the Corporation shall pay the purchase price of such Bond to the Bond Trustee in immediately available funds, and the Bond Trustee shall pay the same to the Holders of the Bonds being purchased against delivery thereof. No purchase of any Bond in lieu of redemption as described in this Section shall operate to extinguish the indebtedness evidenced by such Bond. No Holder or Beneficial Owner may elect to retain a Bond subject to mandatory purchase in lieu of redemption. The Corporation may exercise its option to purchase Bonds, in whole or in part, in accordance with this Section.

ARTICLE V

REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

SECTION 5.01. Pledge and Assignment; Revenue Fund.

(a) Subject only to the provisions of this Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, there are hereby pledged to secure the payment of the principal (and Redemption Price) of and interest on the Bonds in accordance with their terms and the provisions of this Bond Indenture, all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to this Bond Indenture, excepting only moneys on deposit in the Rebate Fund. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Bond Trustee of the Bonds, without any physical delivery thereof or further act.

(b) The City hereby transfers in trust, grants a security interest in and assigns to the Bond Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Revenues and other assets pledged in subsection (a) of this Section and all of the right, title and interest of the City (x) in the Loan Agreement (except for (i) the right to receive any Additional Payments or Administrative Fees and Expenses to the extent payable to the City, (ii) any rights of the City to receive any amounts paid by the Corporation pursuant to Sections 4.2, 5.3, 5.4 and 6.5 of the Loan Agreement, (iii) the right of the City to enforce the special services covenant pursuant to Section 5.10 of the Loan Agreement, (iv) the right of the City to enforcement or inspection or to receive notice or opinions under the Loan Agreement and (v) the obligation of the Corporation to make deposits pursuant to the Tax Certificate) and (y) in Obligation No. 1 (if any). The Bond Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the City shall be deemed to be held, and to have been collected or received, by the City as the agent of the Bond Trustee and shall forthwith be paid by the City to the Bond Trustee. The Bond Trustee shall also be entitled to and subject to the provisions of this Bond Indenture, shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce all of the rights of the City and all of the obligations of the Corporation under the Loan Agreement and all of the obligations of the Members under Obligation No. 1 other than for those rights retained by the City.

(c) All Revenues shall be promptly deposited by the Bond Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Bond Trustee shall establish, maintain and hold in trust, except as otherwise provided in Sections 5.07 and 5.08 and except that all moneys received by the Bond Trustee and required to be deposited in the Redemption Fund or the Debt Service Reserve Fund shall be promptly deposited in the Redemption Fund or the Debt Service Reserve Fund, respectively, which the Bond Trustee shall establish, maintain and hold in trust. All Revenues deposited with the Bond Trustee shall be held, disbursed, allocated and applied by the Bond Trustee only as provided in this Bond Indenture.

(d) If by the Business Day preceding an Interest Payment Date, the Bond Trustee has not received Loan Repayments or other Revenues sufficient to make the transfers required by Section 5.02, the Bond Trustee shall that same day notify the Corporation (by notice to its chief financial officer, chief executive officer and controller) and the Obligated Group Representative of such insufficiency (stating in such notice that (i) the Bond Trustee has not received Loan Repayments or other Revenues sufficient to make the transfers required by Section 5.02; (ii) the amount by which the obligation to make such transfer exceeds the amount available therefore; and (iii) such insufficiency shall constitute a Loan Default Event if not satisfied by the related Interest Payment Date at such time as is required for the Bond Trustee to pay the principal of

and interest on the Bonds on such Interest Payment Date) by telephone, telecopy or electronic mail, and confirm such notification, as soon thereafter as practicable, by written notice.

SECTION 5.02. Allocation of Revenues. The Bond Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Bond Trustee shall establish and maintain within the Revenue Fund), and then to the Rebate Fund, the following amounts at the following times and in the following order of priority, the requirements of each such account or fund (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account or fund subsequent in priority:

First: On or before the Business Day preceding each Interest Payment Date, commencing April 1, 2019, to the Interest Account, the amount of interest becoming due and payable on all Bonds then Outstanding on such Interest Payment Date; less any amount to be transferred to the Interest Account from the Capitalized Interest Account for the payment of such interest pursuant to Section 5.03; and

Second: On or before the Business Day preceding each April 1, commencing April 1, ____, to the Principal Account, the sum of the aggregate amount of principal becoming due on all Outstanding Serial Bonds and the aggregate amount of Mandatory Sinking Account Payments required to be paid into the respective Sinking Accounts for Outstanding Term Bonds, in each case on such date;

Third: to the Rebate Fund, such amounts as are required to be deposited therein by this Bond Indenture (including the Tax Certificate).

(b) Any moneys remaining in the Revenue Fund after the foregoing transfers shall be transferred to the Corporation.

(c) Notwithstanding the foregoing, if the Bond Trustee receives payments under Section 4.7 of the Loan Agreement as described in Section 5.06, such payments shall be deposited in the Debt Service Reserve Fund at the times required by Section 5.06, provided that no deposit need be made into the Debt Service Reserve Fund so long as the balance in said account shall be at least equal to the amount required to be on deposit therein pursuant to Section 5.06. Any such payments in excess of such required amount shall be transferred to the Corporation.

SECTION 5.03. Application of Interest Account and Capitalized Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Bond Indenture).

The Bond Trustee shall establish and maintain within the Interest Account, a separate subaccount designated as the "Capitalized Interest Account." Moneys in the Capitalized Interest Account shall be transferred by the Bond Trustee and deposited in the Interest Account and shall be applied to pay interest on the Bonds in accordance with the following schedule (or to pay accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Bond Indenture):

On or before the second Business Day preceding the following Interest Payment Dates	Amount

SECTION 5.04. Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Bond Trustee solely for the purpose of paying the principal of the Bonds as it shall become due and payable at maturity or to pay principal of the Bonds upon purchase or redemption as provided herein, including all amounts in a Sinking Account which shall be used and withdrawn by the Bond Trustee to purchase or redeem or pay at maturity Term Bonds, as provided herein.

(b) The Bond Trustee shall establish and maintain within the Principal Account separate subaccounts for each maturity of Term Bonds designated as the "____ Sinking Account," the "____ Sinking Account," the "____ Sinking Account," the "____ Sinking Account" and the "____ Sinking Account," respectively. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Bond Trustee shall transfer the amount deposited in the Principal Account pursuant to Section 5.02 for the purpose of making a Mandatory Sinking Account Payment on such date from the Principal Account to the applicable Sinking Account. On each Mandatory Sinking Account Payment date, the Bond Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds, upon the notice and in the manner provided in Article IV; provided that, at any time prior to giving such notice of such redemption, the Bond Trustee shall apply such moneys to the purchase of Term Bonds of such maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Corporation may direct, in writing, except that the purchase price (excluding accrued interest) shall not exceed the par amount of such Term Bonds. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Bond Trustee has purchased Term Bonds of the maturity for which such Sinking Account was established with moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the Corporation has deposited Term Bonds of such maturity with the Bond Trustee, or Bonds of such maturity were at any time purchased or redeemed by the Bond Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to this subsection shall be delivered to the Bond Trustee and cancelled. Any amounts remaining in a Sinking Account when all of the Term Bonds of the maturity for which such Sinking Account was established are no longer Outstanding shall be withdrawn by the Bond Trustee and transferred to the Revenue Fund. All Term Bonds purchased from a Sinking Account or deposited by the Corporation with the Bond Trustee with respect to the related Sinking Account shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Term Bonds, then to the remaining Mandatory Sinking Account Payments for such Term Bonds as the Corporation directs (or if the Corporation fails to deliver such direction to the Bond Trustee, in inverse order of their payment dates).

(c) (i) Subject to the terms and conditions set forth in this Section and in Section 4.01(a), the Term Bonds maturing on April 1, ____, shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the following amounts and on the following dates:

Mandatory Sinking Account Payment Dates (April 1)	Mandatory Sinking Account Payments

†Maturity

(ii) Subject to the terms and conditions set forth in this Section and in Section 4.01(a), the Term Bonds maturing on April 1, ____, shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the following amounts and on the following dates:

Mandatory Sinking Account Payment Dates (April 1)	Mandatory Sinking Account Payments

†Maturity

(iii) Subject to the terms and conditions set forth in this Section and in Section 4.01(a), the Term Bonds maturing on April 1, ____, shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the following amounts and on the following dates:

Mandatory Sinking Account Payment Dates (April 1)	Mandatory Sinking Account Payments

†Maturity

(iv) Subject to the terms and conditions set forth in this Section and in Section 4.01(a), the Term Bonds maturing on April 1, ____, shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the following amounts and on the following dates:

Mandatory Sinking Account Payment Dates (April 1)	Mandatory Sinking Account Payments

†Maturity

(v) Subject to the terms and conditions set forth in this Section and in Section 4.01(a), the Term Bonds maturing on April 1, ____, shall be redeemed (or paid at maturity, as the case

may be) by application of Mandatory Sinking Account Payments in the following amounts and on the following dates:

Mandatory Sinking Account Payment Dates (April 1)	Mandatory Sinking Account Payments

†Maturity

SECTION 5.05. Application of Redemption Fund. The Bond Trustee shall establish and maintain within the Redemption Fund a separate Optional Redemption Account and a separate Special Redemption Account and shall accept all moneys deposited for redemption and shall deposit such moneys into said Accounts, as applicable. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be accepted and used and withdrawn by the Bond Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in Article IV, at the next succeeding date of redemption for which notice has not yet been given and at the Redemption Prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Bond Trustee shall, upon written direction of the Corporation, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Corporation may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds (or, if such Bonds are not then subject to redemption, the par value of such Bonds); and provided further that in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Revenue Fund and credited against Loan Repayments in order of their due date as set forth in a Request of the Corporation. All Term Bonds redeemed from the Redemption Fund shall be allocated to applicable Mandatory Sinking Account Payments designated in a Certificate of the Corporation (or if the Corporation fails to deliver such a Certificate to the Bond Trustee, in inverse order of their payment dates).

SECTION 5.06. Debt Service Reserve Fund.

(a) The Bond Trustee shall establish and maintain, so long as any of the Bonds are Outstanding, a separate account to be known as the "Debt Service Reserve Fund." An initial deposit to the Debt Service Reserve Fund is to be made in accordance with Section 3.02 hereof. Except as described in this Section 5.06, moneys on deposit in the Debt Service Reserve Fund shall only be used to make up any deficiencies in the Interest Account or the Principal Account.

(b) Investment Securities in the Debt Service Reserve Fund shall be valued by the Bond Trustee on the first Business Day of each Fiscal Year (the "Valuation Date"), on the basis of fair market value (which valuation shall take into account any accrued and unpaid interest). If on any Valuation Date the amount on deposit in the Debt Service Reserve Fund is less than 90% of the Debt Service Reserve Fund Requirement as of the Valuation Date as a result of a decline in the market value of investments on deposit in the Debt Service Reserve Fund, the Bond Trustee shall give notice of such deficiency to the Corporation within five Business Days of the applicable Valuation Date. Section 4.7 of the Loan Agreement requires the Corporation to transfer to the Bond Trustee for deposit in the Debt Service Reserve Fund the amount necessary to restore the amount on deposit in the Debt Service Reserve Fund to an amount equal to the

Debt Service Reserve Fund Requirement within 120 days following the date on which the Corporation receives notice of such deficiency. If at any time the amount on deposit in the Debt Service Reserve Fund is less than 100% of the Debt Service Reserve Fund Requirement as a result of the Debt Service Reserve Fund having been drawn upon, the Loan Agreement requires the Corporation to restore the amount on deposit in the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement by the deposit with the Bond Trustee of an amount equal to such deficiency in not more than 12 substantially equal monthly installments beginning with the twenty-fifth day of the sixth month after the month in which such draw occurred. Interest, profits and other income received from the investment of moneys in the Debt Service Reserve Fund (i) prior to the completion of the Project (determined by a Certificate of the Corporation in accordance with Section 3.03(d)), shall be transferred when received to the Project Fund and, (ii) after the completion of the Project, shall be transferred when received to the Revenue Fund; each such transfer to occur only if the Debt Service Reserve Fund Requirement would be met following such transfer.

(c) In lieu of making a Debt Service Reserve Fund Requirement deposit in cash or in replacement of moneys then on deposit in the Debt Service Reserve Fund (which, subject to Section 6.06 of this Bond Indenture and Section 5.5 of the Loan Agreement, shall be transferred by the Bond Trustee to the Corporation upon delivery by the Corporation to the Bond Trustee of a Favorable Opinion of Bond Counsel) or in substitution of any Reserve Facility that satisfies part of the Debt Service Reserve Fund Requirement, the Corporation may, at any time and from time to time, deliver to the Bond Trustee a Reserve Facility in an amount that, together with moneys, investments, or other Reserve Facilities then on deposit in the Debt Service Reserve Fund, is no less than the Debt Service Reserve Fund Requirement. Such Reserve Facility shall be issued by an insurance company whose unsecured debt obligations are rated at the time of delivery in one of the two highest Rating Categories by any of S&P, Moody's, Fitch or any national rating agency, and if such ratings are subsequently downgraded and no longer in one of the two highest Rating Categories by any of S&P, Moody's, Fitch or any national rating agency, the Corporation shall not be obligated to make deposits to the Debt Service Reserve Fund. Such Reserve Facility shall have a term ending no earlier than the final maturity of the Bonds and shall be non-cancellable. In the event that such Reserve Facility for any reason lapses or expires, the Loan Agreement requires the Corporation to restore the amount on deposit in the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement by the deposit with the Bond Trustee of an amount equal to such deficiency in not more than 12 substantially equal monthly installments beginning with the twenty-fifth day of the sixth month after the month in which such lapse occurred.

(d) The Bond Trustee shall apply amounts held in cash or investments in the Debt Service Reserve Fund prior to applying amounts held in the form of Reserve Facilities in the Debt Service Reserve Fund. If the Bond Trustee has applied all cash and investments and a Reserve Facility is being held on deposit in the Debt Service Reserve Fund, then the Bond Trustee shall draw under the Reserve Facility, in a timely manner, and pursuant to the terms of such Reserve Facility, to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed to make payments in accordance with Section 5.02 of this Bond Indenture.

SECTION 5.07. Rebate Fund.

(a) The Bond Trustee shall establish and maintain, when required, a fund separate from any other fund established and maintained hereunder designated as the Rebate Fund. Within the Rebate Fund, the Bond Trustee shall maintain such accounts as shall be necessary to comply with instructions of the Corporation given pursuant to the terms and conditions of the Tax Certificate. Subject to the transfer provisions provided in subsection (E) below, all money at any

time deposited in the Rebate Fund shall be held by the Bond Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the federal government of the United States of America. None of the City, the Corporation or the Holder of any Bonds shall have any rights in or claim to such money while such amounts remain in the Rebate Fund. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section, by Section 6.06 and by the Tax Certificate (which is incorporated herein by reference). The Bond Trustee shall be deemed conclusively to have complied with such provisions if it follows the directions of the Corporation including supplying all necessary information in the manner provided in the Tax Certificate, and shall have no liability or responsibility to enforce compliance by the Corporation or the City with the terms of the Tax Certificate or any other tax covenants contained herein. The City shall be deemed to have complied with the provisions of this Section if it takes actions reasonably requested by the Corporation pursuant to and in accordance with the Tax Certificate. The Bond Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Bond Trustee shall have no independent duty to review such calculations or enforce the compliance by the Corporation with such rebate requirements. The Bond Trustee shall have no duty or obligation to determine the applicability of the Code and shall only be obligated to act in accordance with written instructions provided by the Corporation.

(b) Upon the Corporation's written direction, an amount shall be deposited to the Rebate Fund by the Bond Trustee from deposits by the Corporation, if and to the extent required, so that the balance in the Rebate Fund shall equal the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the Corporation in accordance with the Tax Certificate. The Bond Trustee shall supply to the Corporation and/or the City all necessary information in the manner provided in the Tax Certificate to the extent such information is reasonably available to the Bond Trustee.

(c) The Bond Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the funds and accounts created under this Bond Indenture or from other moneys provided to it by the Corporation.

(d) At the written direction of the Corporation, the Bond Trustee shall invest all amounts held in the Rebate Fund solely in Investment Securities, subject to the restrictions set forth in the Tax Certificate. Moneys shall not be transferred from the Rebate Fund except as provided in subsection (E) below. The Bond Trustee shall not be liable for any consequences arising from such investment.

(e) Upon receipt of the Corporation's written directions, the Bond Trustee shall remit part or all of the balances in the Rebate Fund to the United States, as so directed. In addition, if the Corporation so directs, the Bond Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as directed by the Corporation's written directions; provided, however, only moneys in excess of the Rebate Requirement may, at the written direction of the Corporation or the City, be transferred out of the Rebate Fund to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Rebate Fund after each five year remission to the United States of America, redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Bond Trustee, shall be withdrawn and remitted to the Corporation.

(f) Notwithstanding any other provision of this Bond Indenture, including in particular Article X, the obligation to remit the Rebate Requirement to the United States and to comply

with all other requirements of this Section, Section 6.06 and the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

SECTION 5.08. Investment of Moneys in Funds and Accounts.

(a) All moneys in any of the funds and accounts established pursuant to this Bond Indenture shall be invested and reinvested by the Bond Trustee, upon the written direction of the Corporation, solely in Investment Securities. The Bond Trustee shall acquire such Investment Securities upon the written direction of the Corporation at such prices and on such terms as directed by the Corporation. The Bond Trustee shall be entitled to rely upon any investment direction provided to it hereunder as a certification to the Bond Trustee that such investment constitutes an Investment Security. In the absence of written investment directions from the Corporation, the Bond Trustee shall invest solely in Investment Securities set forth in clause (g) of the definition thereof. All Investment Securities shall be acquired subject to the limitations set forth in Section 6.06, the limitations as to maturities hereinafter in this Section set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the Corporation.

(b) Moneys in all funds and accounts shall be invested in Investment Securities maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Bond Indenture; provided that amounts on deposit in the Debt Service Reserve Fund (other than a surety bond or letter of credit) shall have an aggregate weighted term to maturity not greater than ten years. Investment Securities purchased under a repurchase agreement or an investment agreement may be deemed to mature on the date or dates on which the Bond Trustee may deliver such Investment Securities for repurchase or obtain other funds at par under such agreement. Investment Securities that are registrable securities shall be registered in the name of the Bond Trustee or its nominee.

(c) All interest, profits and other income received from the investment of moneys in the Rebate Fund shall be deposited when received in such fund. All interest, profits and other income received from the investment of moneys in any other fund or account established pursuant to this Bond Indenture (and, with respect to the Debt Service Reserve Fund, subject to Section 5.06 of this Bond Indenture) (i) prior to the completion of the (determined by a Certificate of the Corporation in accordance with Section 3.03(d)), shall be deposited when received in the Project Fund and, (ii) after the completion of the Project, shall be deposited when received in the Revenue Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account for the credit of which such Investment Security was acquired.

(d) Investment Securities acquired as an investment of moneys in any fund or account established under this Bond Indenture shall be credited to such fund or account. For the purpose of determining the amount in any such fund or account, all Investment Securities credited to such fund or account shall be valued at the lower of cost (exclusive of accrued interest after the first payment of interest following acquisition) or market value (plus, prior to the first payment of interest following acquisition, the amount of interest paid as part of the purchase price).

(e) The Bond Trustee may commingle any of the funds or accounts established pursuant to this Bond Indenture (other than the Rebate Fund) into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Bond Trustee hereunder shall be accounted for separately as required by this Bond Indenture. The Bond

Trustee or any of its affiliates may act as principal or agent in the making or disposing of any investment. The Bond Trustee may sell or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and, subject to the provisions of Section 8.03, the Bond Trustee shall not be liable or responsible for any loss resulting from any investment made in accordance with the provisions of this Section. The City (and the Corporation by execution of the Loan Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City or the Corporation the right to receive brokerage confirmations of security transactions hereunder as they occur, the each of the City and the Corporation specifically waive receipt of such confirmations to the extent permitted by law. The Bond Trustee covenants to furnish the Corporation (and the City, upon written request) periodic cash transaction statements which shall include details for all investment transactions made by the Bond Trustee hereunder.

ARTICLE VI

PARTICULAR COVENANTS

SECTION 6.01. Punctual Payment. The City shall punctually cause to be paid the principal of and Redemption Price and interest on all of the Bonds, in strict conformity with the terms of the Bonds and of this Bond Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Bond Indenture.

SECTION 6.02. Extension of Payment of Bonds. The City shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Bond Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon that shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the City to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

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

SECTION 6.04. Power to Issue Bonds and Make Pledge and Assignment. The City is duly authorized pursuant to law to issue the Bonds and to enter into this Bond Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under this Bond Indenture in the manner and to the extent provided in this Bond Indenture. The Bonds and the provisions of this Bond Indenture are and will be the legal, valid and binding limited obligations of the City in accordance with their terms, and the City and Bond Trustee shall at all times, subject to the provisions of this Bond Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bondholders under this Bond Indenture against all claims and demands of all Persons whomsoever.

SECTION 6.05. Accounting Records and Financial Statements.

(a) The Bond Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by the Bond Trustee relating to the proceeds of Bonds, the Revenues, the Loan Agreement, Obligation No. 1 and all funds and accounts established pursuant to this Bond Indenture. Such books of record and account shall be available for inspection by the City, the Corporation, the Obligated Group Representative and any Bondholder, or the agent or representative of any of them duly authorized in writing, at reasonable hours and under reasonable circumstances upon reasonable notice.

(b) The Bond Trustee shall file and furnish on or before the 15th day of each month to the City upon request of the City, the Corporation, the Obligated Group Representative (only if not then the Corporation) and each Bondholder who shall have filed his or her name and address with the Bond Trustee for such purpose, and at the Bondholder's expense, a statement (which need not be audited) covering receipts, disbursements, allocation and application of Revenues and any other moneys (including proceeds of Bonds) in any of the funds and accounts established pursuant to this Bond Indenture for the preceding month.

SECTION 6.06. Tax Covenants. The City shall at all times do and perform all acts and things permitted by law and this Bond Indenture that are necessary or desirable in order to assure that interest paid on the Bonds will be excluded from gross income for purposes of federal income taxes and shall take no action that would result in such interest not being excluded from gross income for purposes of federal income taxes. Without limiting the generality of the foregoing, the City agrees to comply with the provisions of the Tax Certificate.

SECTION 6.07. Enforcement of Loan Agreement and Obligation No. 1. The Bond Trustee shall collect all amounts due from the Corporation pursuant to the Loan Agreement and from the Members pursuant to Obligation No. 1, shall perform all duties imposed upon it pursuant to the Loan Agreement and, subject to the provisions of this Bond Indenture, shall enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the City and all of the obligations of the Corporation and the Members.

SECTION 6.08. Amendment of Loan Agreement.

(a) Except as provided in Section 6.08(b), the City shall not amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination unless the written consent of the Holders of a majority in principal amount of the Bonds then Outstanding to such amendment, modification or termination is filed with the Bond Trustee, provided that no such amendment, modification or termination shall reduce the amount of Loan Repayments to be made to the City or the Bond Trustee by the Corporation, pursuant to the Loan Agreement, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding.

(b) Notwithstanding the provisions of Section 6.08(a), the terms of the Loan Agreement may also be modified or amended from time to time and at any time by the City without the necessity of obtaining the consent of any Bondholders, only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City or the Corporation contained in the Loan Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the City or the Corporation, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Loan Agreement, or in regard to matters or questions arising under the Loan Agreement, as the City may deem necessary or desirable and not inconsistent with the Loan Agreement or this Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(3) to maintain the exclusion from gross income of interest payable on the Bonds for federal income tax purposes;

(4) to make any changes required by any Rating Agency to obtain or maintain a rating on the Bonds;

(5) to comply with the provisions of federal or state securities laws; or

(6) to make any other changes which will not materially adversely affect the interests of the Holders of the Bonds.

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

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

SECTION 6.11. Continuing Disclosure. Pursuant to Section 5.7 of the Loan Agreement, the Corporation has covenanted to enter into, comply with and carry out all of the provisions of a disclosure agreement with respect to the Bonds that complies with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission (as amended from time to time, the "Rule"), in form and substance satisfactory to the Participating Underwriter(s) (as defined in the Rule). The Corporation, as Obligated Group Representative, has undertaken all responsibility for compliance with continuing disclosure requirements pursuant to the Rule, and the City shall have no liability to the Holders of the Bonds or any other Person with respect to the Rule. Notwithstanding any other provision of this Bond Indenture or the Loan Agreement, failure of the Corporation to enter into and comply with such a disclosure agreement shall not be considered an Event of Default or a Loan Default Event; however, the Bond Trustee may, and at the written request of any Participating Underwriter or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds, shall (but only to the extent it has been indemnified to its satisfaction from any loss, liability or expense, including without limitation, reasonable fees and out-of-pocket expenses of its attorneys), or any Bondholder or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Corporation to comply with its obligations under Section 5.7 of the Loan Agreement.

SECTION 6.12. Additional Payments. The Bond Trustee shall transfer the Additional Payments constituting the City's annual fee, promptly upon receipt thereof from the Corporation, to the City at the Remittance Address.

SECTION 6.13. Notification of Outstanding Bonds. On or before July 15 of each year the Bond Trustee shall notify the City, via mutually acceptable electronic means or by mail, of the aggregate principal amount of Outstanding Bonds as of June 30 of such year or that no Bonds remain Outstanding.

SECTION 6.14. Replacement of Obligation No. 1. Obligation No. 1 may be surrendered by the Bond Trustee and delivered to the Master Trustee for cancellation upon receipt by the Bond Trustee of the following:

(a) a Request of the Obligated Group Representative requesting such surrender and delivery and stating that the Members have become members of an obligated group, which may contain entities other than the existing Members (the "New Group") under a master indenture (other than the Master Indenture) (the "Replacement Master Indenture") and that an obligation is being issued to the Bond Trustee under the Replacement Master Indenture;

(b) a properly executed obligation (the "Replacement Obligation") issued under the Replacement Master Indenture and registered in the name of the Bond Trustee with the same tenor and effect as Obligation No. 1, duly authenticated by the master trustee under the Replacement Master Indenture;

(c) an Opinion of Counsel to the effect that the Replacement Obligation has been validly issued under the Replacement Master Indenture and constitutes a valid and binding obligation of the Members and each other member of the New Group, subject to customary exceptions;

(d) a copy of the Replacement Master Indenture, certified as a true and accurate copy by the master trustee under the Replacement Master Indenture;

(e) Either of the following:

(i) an Officer's Certificate showing that the Obligated Group, after giving effect to the Replacement Obligation and assuming that the New Group constitutes the Obligated Group under the original Master Indenture, could have incurred at least one dollar of Long-Term Indebtedness pursuant to Section [3.05(a)(i) or (ii)] of the Master Indenture immediately following the execution and delivery of the Replacement Master Indenture; or

(ii) written notice of such replacement of Obligations under the Master Indenture shall have been given by the New Group to each Rating Agency then maintaining a rating on any such obligation, the then current rating shall not be withdrawn if such withdrawal will result in less than two Rating Agencies remaining or, if the then current rating is below A- or A3 or its equivalent, the then current rating shall not be lowered by any Rating Agency as a result of such replacement of Obligations

(f) Evidence that, for so long as the then-outstanding obligations of the New Group are rated below A- or A3 or its equivalent by any Rating Agency, the Corporation agrees (on behalf of itself and the Members under the original Master Indenture), to maintain the grant of the security interest in the Deed of Trust Property and in the Pledged Property, Plant and Equipment of each such Member (as such terms are defined in the original Master Indenture), in favor of the Bond Trustee for the benefit of the Holders of the Replacement Obligation and other obligations under the Replacement Master Indenture. At such time as the then-outstanding obligations of the New Group are rated A- or A3 or its equivalent or higher by each Rating Agency then rating such obligations, and upon written request of the Obligated Group Representative, without the necessity of obtaining consent or giving prior notice to any of the Holders of the Replacement Obligation, the Master Trustee shall execute and deliver such releases, reconveyances, termination statements or other instruments as may be reasonably requested by the Obligated Group Representative in order to release the security interest in the Deed of Trust Property and in the Pledged Property, Plant and Equipment of each such Member (as such terms are defined in the original Master Indenture), granted in favor of the

Bond Trustee for the benefit of the Holders of Obligation No. 1 or the Replacement Obligation, as applicable.

(g) a Favorable Opinion of Bond Counsel; and

(h) a certificate of the Master Trustee to the effect that Obligation No. 1 has been cancelled and that the Members have withdrawn from or otherwise ceased to be part of the Obligated Group.

Upon satisfying the above conditions, references herein, in the Loan Agreement, in the Bonds and in the Tax Certificate to (i) Obligation No. 1 shall become references to the Replacement Obligation, (ii) the Master Indenture shall become references to the Replacement Master Indenture, (iii) the Master Trustee shall become references to the master trustee under the Replacement Master Indenture, (iv) the Obligated Group and the Members shall become references to the New Group and the members of the New Group under the Replacement Master Indenture and (v) Related Supplement No. 1 shall become references to the supplemental master indenture pursuant to which the Replacement Obligation shall be issued.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF BONDHOLDERS

SECTION 7.01. Events of Default. The following events shall be Events of Default:

(a) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as the same shall become due and payable;

(c) declaration by the Master Trustee of the entire principal amount of all Outstanding Obligations (as defined in the Master Indenture) (other than Obligations with respect to which the holders of such Obligations have been given the right to consent to the acceleration of such Obligations pursuant to the Master Indenture) and the interest accrued thereon to be immediately due and payable pursuant to Section 4.02(a) of the Master Indenture;

(d) failure by the City to observe or perform in any material respect any of the covenants, agreements or conditions on its part contained in this Bond Indenture or in the Bonds, other than as referred to in subsection (a) or (b) of this Section, if such failure or breach shall have continued for a period of sixty (60) days after written notice thereof, specifying such failure or breach and requiring the same to be remedied, shall have been given to the City and the Corporation by the Bond Trustee, or to the City, the Corporation and the Bond Trustee by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding; except that, if such failure or breach can be remedied but not within such sixty (60) day period, such failure or breach shall not become an Event of Default if cure is diligently being pursued; all action reasonably possible is being taken within such sixty (60) day period to remedy such failure or breach and the failure or breach is remedied within one hundred eighty (180) days after the giving of the written notice; or

(e) a Loan Default Event.

SECTION 7.02. Acceleration of Maturities. Whenever any Event of Default referred to in Section 7.01 hereof shall have happened and be continuing, the Bond Trustee may take the following remedial steps:

(a) In the case of an Event of Default described in Section 7.01 (a) or (b) of this Bond Indenture, the Bond Trustee may, and upon the written direction of the Bondholders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, shall, upon notice to the Corporation and the City in writing, notify the Master Trustee of such Event of Default, make a demand for payment under Obligation No. 1 and request the Master Trustee in writing to give notice to the Members pursuant to Section 4.02 of the Master Indenture declaring the principal of all Obligations issued under the Master Indenture then outstanding to be due and immediately payable. Upon such declaration by the Master Trustee, the Bond Trustee shall declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Bond Indenture to the contrary notwithstanding. In addition, upon such declaration, the Bond Trustee may take whatever action at law or in equity is necessary or desirable to collect the payments due under Obligation No. 1;

(b) In the case of an Event of Default described in Section 7.01(c) of this Bond Indenture, the Bond Trustee shall, upon receipt of notice form the Master Trustee that all Outstanding Obligations issued under the Master Indenture (other than Obligations with respect to which the holders of such Obligations have been given the right to consent to the acceleration of such Obligations pursuant to the Master Indenture) are immediately due and payable, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Bond Indenture to the contrary notwithstanding. In addition, upon such declaration, the Bond Trustee may take whatever action at law or in equity is necessary or desirable to collect the payments due under Obligation No. 1;

(c) In the case of an Event of Default described in Section 7.01(d) of this Bond Indenture, the Bond Trustee may take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by the City with any covenant, condition or agreement by the City under this Bond Indenture; and

(d) In the case of an Event of Default described in Section 7.01(e) of this Bond Indenture, the Bond Trustee may take whatever action the City would be entitled to take, and shall take whatever action the City would be required to take, pursuant to the Loan Agreement in order to remedy the Loan Default Event.

Notwithstanding any other provision of this Bond Indenture or any right, power or remedy existing at law or in equity or by statute, the Bond Trustee shall not under any circumstance in which an Event of Default has occurred declare the entire unpaid aggregate principal amount of the Bonds Outstanding to be immediately due and payable except in the event that the Master Trustee shall have declared the aggregate principal amount of Obligation No. 1 and all interest due thereon immediately due and payable in accordance with Section 4.02 of the Master Indenture.

Any such declaration of acceleration pursuant to this Section 7.02, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, there shall be deposited with the Bond Trustee a sum sufficient to pay all the principal, Mandatory Sinking Account Payments or Redemption Price of and installments of interest on the Bonds, payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and out-of-pocket expenses of the Bond Trustee, and if the Bond Trustee has received notification from the Master Trustee that the declaration of acceleration of Obligation No. 1 has been annulled pursuant to the Master Indenture and any and all other defaults known to the Bond Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Bond Trustee or provision deemed by the Bond Trustee to be adequate shall have been made therefor, then, and in every such case, the Bond Trustee shall, on behalf of the Holders of all of the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall effect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Immediately after any acceleration hereunder, the Bond Trustee, to the extent it has not already done so, shall notify in writing the City of the occurrence of such acceleration.

Notwithstanding anything to the contrary in this Bond Indenture, the City shall have no obligation to and instead the Bond Trustee may, without further direction from the City, take any and all steps, actions and proceedings, to enforce any or all rights of the City (other than

those specifically retained by the City pursuant to Section 5.01 of this Bond Indenture) under this Bond Indenture or the Loan Agreement, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the Corporation under the Loan Agreement.

SECTION 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Bond Trustee under any of the provisions of this Bond Indenture (subject to Section 11.10 and other than moneys required to be deposited in the Rebate Fund) shall be applied by the Bond Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Bond Trustee to protect the interests of the Holders of the Bonds and payment of reasonable charges and expenses of the Bond Trustee (including reasonable fees and disbursements of its counsel, advisors and agents) incurred in and about the performance of its powers and duties under this Bond Indenture;

(b) To the payment of the principal or Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Bond Indenture (including Section 6.02), as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

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

Second: To the payment to the Persons entitled thereto of the unpaid principal or Redemption Price of any Bonds that shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date to the Persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

SECTION 7.04. Bond Trustee to Represent Bondholders. The Bond Trustee is hereby irrevocably appointed (and the successive respective Holders of the Bonds, by taking and

holding the same, shall be conclusively deemed to have so appointed the Bond Trustee) as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, this Bond Indenture, the Loan Agreement, Obligation No. 1, the Law and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Bond Trustee to represent the Bondholders, the Bond Trustee in its discretion may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Bond Trustee, in such Holders under this Bond Indenture, the Loan Agreement, Obligation No. 1, the Law or any other law; and upon instituting such proceeding, the Bond Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Bond Indenture, pending such proceedings. All rights of action under this Bond Indenture or the Bonds or otherwise may be prosecuted and enforced by the Bond Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Bond Trustee shall be brought in the name of the Bond Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of this Bond Indenture (including Section 6.02).

SECTION 7.05. Bondholders' Direction of Proceedings. Anything in this Bond Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Bond Trustee, to direct the method of conducting all remedial proceedings taken by the Bond Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Bond Indenture, and that the Bond Trustee shall have the right to decline to follow any such direction that in the opinion of the Bond Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

SECTION 7.06. Limitation on Bondholders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Bond Indenture, the Loan Agreement, Obligation No. 1 or any applicable law with respect to such Bond, unless (1) such Holder shall have given to the Bond Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Bond Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Bond Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Bond Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bond Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Bond Indenture or the rights of any other Holders of Bonds, or to

enforce any right under this Bond Indenture, the Loan Agreement, Obligation No. 1, the Law or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of this Bond Indenture (including Section 6.02).

SECTION 7.07. Absolute Obligation of the City. Nothing contained in this Bond Indenture or in the Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal or Redemption Price of and interest on the Bonds to the respective Holders of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Holders, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

SECTION 7.08. Termination of Proceedings. In case any proceedings taken by the Bond Trustee or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Bond Trustee or the Bondholders, then in every such case the City, the Bond Trustee and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the City, the Bond Trustee and the Bondholders shall continue as though no such proceedings had been taken.

SECTION 7.09. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Bond Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

SECTION 7.10. No Waiver of Default. No delay or omission of the Bond Trustee or of any Holder of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Bond Indenture to the Bond Trustee or the Holders of the Bonds may be exercised from time to time and as often as may be deemed expedient.

ARTICLE VIII

THE BOND TRUSTEE

SECTION 8.01. Duties, Immunities and Liabilities of Bond Trustee.

(a) The City hereby appoints _____, as Bond Trustee. The Bond Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Bond Indenture, and, except to the extent required by law, no implied covenants or obligations shall be read into this Bond Indenture against the Bond Trustee. The Bond Trustee shall, during the existence of any Event of Default (which has not been cured or waived in accordance herewith), exercise such of the rights and powers vested in it by this Bond Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) The City (i) shall, upon written request of the Corporation, remove the Bond Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and (ii) shall, upon the occurrence and continuation of an Event of Default, remove the Bond Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Bond Trustee shall cease to be eligible in accordance with subsection (E) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Bond Trustee or its property shall be appointed, or any public officer shall take control or charge of the Bond Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Bond Trustee, and thereupon shall appoint, with the written consent of the Corporation, a successor Bond Trustee by an instrument in writing.

(c) The Bond Trustee may at any time resign by giving written notice of such resignation to the City and the Corporation, and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Bond Trustee. Upon receiving such notice of resignation, the City shall promptly appoint, with the consent of the Corporation, a successor Bond Trustee by an instrument in writing.

(d) The Bond Trustee shall not be relieved of its duties hereunder until its successor Bond Trustee has accepted its appointment and assumed the duties of Bond Trustee hereunder. Any removal or resignation of the Bond Trustee and appointment of a successor Bond Trustee shall become effective upon acceptance of appointment by the successor Bond Trustee. If no successor Bond Trustee shall have been appointed and have accepted appointment within thirty (30) days of giving notice of removal or notice of resignation as aforesaid, the resigning Bond Trustee, the Corporation or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction at the expense of the Corporation for the appointment of a successor Bond Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Bond Trustee. Any successor Bond Trustee appointed under this Bond Indenture, shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Bond Trustee a written acceptance thereof, and thereupon such successor Bond Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Bond Trustee, with like effect as if originally named Bond Trustee herein; but, nevertheless at the request of the successor Bond Trustee, such predecessor Bond Trustee shall execute and deliver any and all instruments of conveyance or

further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Bond Trustee all the right, title and interest of such predecessor Bond Trustee in and to any property held by it under this Bond Indenture and shall pay over, transfer, assign and deliver to the successor Bond Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Bond Trustee, the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Bond Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Bond Trustee as provided in this subsection, the City shall cause such Bond Trustee to mail a notice of the succession of such Bond Trustee to the trusts hereunder to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee.

(e) Any successor Bond Trustee shall be a trust company, national bank or other bank having the powers of a trust company having (or, in the case of a trust company or bank included in a bank holding company system, with a bank holding company having) a combined capital and surplus of at least fifty million dollars ($50,000,000) and subject to supervision or examination by federal or state authority. If such trust company, national bank or other bank publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Bond Trustee shall cease to be eligible in accordance with the provisions of this subsection (E), the Bond Trustee shall resign immediately in the manner and with the effect specified in this Section.

SECTION 8.02. Merger or Consolidation. Any company into which the Bond Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Bond Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (E) of Section 8.01, shall be the successor to such Bond Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 8.03. Liability of Bond Trustee.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the City, and the Bond Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the legality, validity or sufficiency of this Bond Indenture, the Loan Agreement, Obligation No. 1 or any other document related hereto, or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it except for any recital or representation specifically relating to the Bond Trustee or its powers. The Bond Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Bond Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct; provided, that this shall not be construed to limit the effect of subsection (F) hereof. The Bond Trustee may become the owner of Bonds with the same rights it would have if it were not Bond Trustee, and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders, whether or not such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

(b) The Bond Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Bond Trustee was negligent.

(c) The Bond Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount (or such lesser principal amount as is provided hereby) of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee under this Bond Indenture.

(d) The Bond Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Bond Indenture at the request, order or direction of any of the Bondholders pursuant to the provisions of this Bond Indenture unless such Bondholders shall have offered to the Bond Trustee security or indemnity reasonable to it against the costs, expenses and liabilities which may be incurred therein or thereby.

(e) The Bond Trustee shall not be liable for any action taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Bond Indenture unless it shall be proved that the Bond Trustee was negligent.

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

(g) Whether or not therein expressly so provided, every provision of this Bond Indenture, the Loan Agreement, Obligation No. 1 or other documents relating to the issuance of the Bonds, relating to the conduct or affecting the liability of or affording protection to the Bond Trustee shall be subject to the provisions of this Article.

(h) The Bond Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, requisition, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document, but the Bond Trustee, in its discretion and at its expense, may make such further investigation or inquiry into such facts of matters as it may deem fit.

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

(j) The Bond Trustee shall not be deemed to have knowledge of an Event of Default hereunder, under the Loan Agreement, Obligation No. 1 or any other document related to the Bonds unless it shall have actual knowledge at its Corporate Trust Office. As used herein, "actual knowledge" shall mean the actual fact or statement of knowing without any independent duty to make any investigation with regard thereto.

SECTION 8.04. Right of Bond Trustee to Rely on Documents. The Bond Trustee shall be protected in acting upon any notice, resolution, request, statement, requisition, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Before the Bond Trustee acts or refrains from acting, it may consult with counsel, who may be counsel of or to the City, with regard to legal questions, and the opinion or advice of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

With the exception of Persons in whose names Bonds are registered on the books maintained by the Bond Trustee for such purpose, the Bond Trustee shall not be bound to recognize any Person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto is satisfactorily established, if disputed.

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

SECTION 8.05. Preservation and Inspection of Documents. All documents received by the Bond Trustee under the provisions of this Bond Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the City, the Corporation, and any Bondholder, and their agents and representatives duly authorized in writing (if such Bondholder provides to the Bond Trustee thirty (30) days prior written notice and such notice specifies a date upon which such inspection shall occur), during normal business hours and under reasonable conditions.

SECTION 8.06. Performance of Duties. The Bond Trustee may execute any of the trusts or powers hereof and perform the duties required of it under either directly or by or through attorneys or agents and shall be entitled to advice of counsel concerning all matters of trust and its duties hereunder and shall be absolutely protected in relying thereon. The Bond Trustee shall not be responsible for the misconduct of such persons selected by it with reasonable care.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE BOND INDENTURE

SECTION 9.01. Amendments Permitted.

(a) This Bond Indenture and the rights and obligations of the City, of the Bond Trustee and of the Holders of the Bonds may be modified or amended from time to time and at any time by a Supplemental Bond Indenture, which the City and the Bond Trustee may enter into with the written consent of the Corporation when the written consent the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, shall have been filed with the Bond Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment, or reduce the rate of interest thereon, or change the method of determining the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or (3) permit the creation of any lien on the Revenues and other assets pledged under this Bond Indenture prior to or on a parity with the lien created by this Bond Indenture, or deprive the Holders of the Bonds of the lien created by this Bond Indenture on such Revenues and other assets (except as expressly provided in this Bond Indenture), without the consent of the Holders of all Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Bond Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the City and the Bond Trustee of any Supplemental Bond Indenture pursuant to this subsection (a), the Bond Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Bond Indenture to the Bondholders at the addresses shown on the registration books maintained by the Bond Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Bond Indenture.

(b) This Bond Indenture and the rights and obligations of the City, of the Bond Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Bond Indenture, which the City and the Bond Trustee may enter into without the consent of any Bondholders, but with the written consent of the Corporation, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City in this Bond Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Bond Indenture, or in regard to matters or questions arising under this Bond Indenture, as the City, the Corporation or the Bond Trustee may deem necessary or desirable and not inconsistent with this Bond Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement this Bond Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or

any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(4) to provide any additional procedures, covenants or agreements to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, including the amendment of any Tax Certificate;

(5) to make any changes required by any Rating Agency to obtain or maintain a rating on the Bonds;

(6) to comply with the provisions of federal or state securities laws;

(7) to facilitate (i) the transfer of Bonds from one Securities Depository to another in the succession of Securities Depositories, or (ii) the withdrawal from a Securities Depository of Bonds held in a book-entry system and the issuance of replacement Bonds in fully registered form to Persons other than a Securities Depository;

(8) to make any other changes which will not materially adversely affect the interests of the Holders of the Bonds; or

(9) to effectuate the provisions of Section 6.14 hereof.

(c) The Bond Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Bond Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Bond Trustee's own rights, duties or immunities under this Bond Indenture or otherwise. In executing, or accepting the additional trusts created by, any Supplemental Bond Indenture permitted by this Article or the modifications thereby of the trusts created by this Bond Indenture, the Bond Trustee and the City shall be furnished, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such Supplemental Bond Indenture is authorized by and in compliance with this Bond Indenture.

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

SECTION 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Bond Indenture pursuant to this Article may, and if the City so determines shall, bear a notation by endorsement or otherwise in form approved by the City and the Bond Trustee as to any modification or amendment provided for in such Supplemental Bond Indenture, and, in that case, upon demand of the Holder of any Bond Outstanding at the time of such execution and presentation of his Bond for the purpose at the Corporate Trust Office of the Bond Trustee or at such additional offices as the Bond Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Supplemental Bond Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the City, to any modification or amendment contained in such Supplemental

Bond Indenture, shall be prepared by the Bond Trustee at the expense of the Corporation, executed by the City and authenticated by the Bond Trustee, and upon demand of the

Holders of any Bonds then Outstanding shall be exchanged at the Corporate Trust Office of the Bond Trustee, without cost to any Bondholder, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amounts of the same maturity.

SECTION 9.04. Amendment of Particular Bonds. The provisions of this Article shall not prevent any Bondholder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE X

DEFEASANCE

SECTION 10.01. Discharge of Bond Indenture. The Bonds may be paid by the City or the Bond Trustee on behalf of the City in any of the following ways:

(a) by paying or causing to be paid the principal or Redemption Price of and interest on all Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Bond Trustee, in trust, at or before maturity, moneys or securities in the necessary amount (as provided in Section 10.03) to pay when due or redeem all Bonds then Outstanding; or

(c) by delivering to the Bond Trustee, for cancellation by it, all Bonds then Outstanding.

If the City shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable hereunder by the City, then and in that case at the election of the City (evidenced by a Certificate of the City filed with the Bond Trustee signifying the intention of the City to discharge all such indebtedness and this Bond Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Bond Indenture and the pledge of Revenues and other assets made under this Bond Indenture and all covenants, agreements and other obligations of the City under this Bond Indenture (except as otherwise specifically provided herein) shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the request of the City or the Corporation, the Bond Trustee shall cause an accounting for such period or periods as may be requested by the City or the Corporation to be prepared and filed with the City and the Corporation and shall execute and deliver to the City all such instruments as may be necessary to evidence such discharge and satisfaction, and the Bond Trustee shall pay over, transfer, assign or deliver to the Corporation all moneys or securities or other property held by it pursuant to this Bond Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption; provided that in all events moneys in the Rebate Fund shall be subject to the provisions of Section 5.07; and provided further that, prior to the Bond Trustee paying over, transferring, assigning or delivering to the Corporation such moneys, securities or other property, all Administrative Fees and Expenses and any indemnification owed the City and the Bond Trustee shall have been paid.

SECTION 10.02. Discharge of Liability on Bonds. Upon the deposit with the Bond Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice, then all liability of the City in respect of such Bond shall cease, terminate become void and be completely discharged and satisfied, except only that thereafter the Holder thereof shall be entitled to payment of the principal of and interest on such Bond by the City, and the City shall remain liable for such payments, but only out of such money or securities deposited with the Bond Trustee as aforesaid for their payment, subject, however, to the provisions of Section 10.04.

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

SECTION 10.03. Deposit of Money or Securities with Bond Trustee. Whenever in this Bond Indenture it is provided or permitted that there be deposited with or held in trust by the Bond Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Bond Trustee in the funds and accounts established pursuant to this Bond Indenture (other than the Rebate Fund) and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date; or

(b) United States Government Obligations (not callable by the issuer thereof prior to maturity), the principal of and interest on which when due (without any income from the reinvestment thereof) will provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or Redemption Price and interest become due; provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as in Article IV provided or provision satisfactory to the Bond Trustee shall have been made for the giving of such notice;

provided, in each case, that the Bond Trustee shall have been irrevocably instructed (by the terms of this Bond Indenture or by Request of the City) to apply such money to the payment of such principal or Redemption Price and interest with respect to such Bond.

SECTION 10.04. Payment of Bonds After Discharge of Bond Indenture. Notwithstanding any provisions of this Bond Indenture, any moneys held by the Bond Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for the period which is one year less than the statutory escheat period after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in this Bond Indenture), if such moneys were so held at such date, or the period which is one year less than the statutory escheat period after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Corporation free from the trusts created by this Bond Indenture upon receipt of an indemnification agreement acceptable to the City and the Bond Trustee indemnifying the City and the Bond Trustee with respect to claims of Holders of Bonds which have not yet been paid, and all liability of the Bond Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Corporation as aforesaid, the Bond Trustee may (at the cost of the Corporation) first mail to the Holders of Bonds which have not yet been paid, at the addresses shown on the registration books maintained by the Bond Trustee, a notice, in such form as may be deemed appropriate by the Bond Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Corporation of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Non-Liability of Authority. The City shall not be obligated to pay the principal (or Redemption Price) of, or interest on the Bonds, except from Revenues and other moneys and assets received by the Bond Trustee pursuant to the Loan Agreement and Obligation No. 1. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof (including the Program Participants), nor the faith and credit of the City is pledged to the payment of the principal (or Redemption Price) of, or interest on the Bonds. Neither the City nor the Program Participants shall be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Loan Agreement, Related Supplement No. 1, Obligation No. 1, the Bonds or this Bond Indenture, except only to the extent amounts are received for the payment thereof from the Corporation under the Loan Agreement or the Members under Obligation No. 1.

The Bond Trustee hereby acknowledges that the City's sole source of moneys to repay the Bonds will be provided by the payments made by the Corporation to the Bond Trustee pursuant to the Loan Agreement and by the Members pursuant to Obligation No. 1, together with amounts on deposit and investment income on certain funds and accounts held by the Bond Trustee under this Bond Indenture, and hereby agrees that if the payments to be made under the Loan Agreement and Obligation No. 1 shall ever prove insufficient to pay all principal (or Redemption Price) of, and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then the Bond Trustee shall give notice to the Corporation in accordance with Section 5.01(d) of this Bond Indenture to pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal of, premium, if any, or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Bond Trustee, the Corporation, the City or any third party, subject to any right of reimbursement from the Bond Trustee, the City or any such third party, as the case may be, therefor.

THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE CITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE CITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THIS BOND INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE CITY HAS NO TAXING POWER.

SECTION 11.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Bond Indenture either the City or the Bond Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Bond Indenture contained by or on behalf of the City or the Bond Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 11.03. Limitations of Rights to Parties, Corporation and Bondholders. Nothing in this Bond Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the City, the Bond Trustee, the Corporation and the Holders of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Bond Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the City, the Bond Trustee, the Corporation and the Holders of the Bonds.

SECTION 11.04. Waiver of Notice. Whenever in this Bond Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 11.05. Destruction of Bonds. Whenever in this Bond Indenture provision is made for the cancellation by the Bond Trustee and the delivery to the City of any Bonds, the Bond Trustee shall, in lieu of such cancellation and delivery, destroy such Bonds, and deliver a certificate of such destruction to the City.

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

SECTION 11.07. Notices. All notices to Bondholders shall be given by telex, telegram, telecopier or other telecommunication device or mutually acceptable electronic means unless otherwise provided herein and, if by a telecommunications device or electronic means not capable of producing a written notice, confirmed in writing as soon as practicable. Any notice to or demand upon the Bond Trustee may be served or presented, and such demand may be made, at the Corporate Trust Office of the Bond Trustee or at such other address as may have been filed in writing by the Bond Trustee with the City. Any notice to or demand upon the City or the Corporation shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent by telex or telecopy or mutually acceptable electronic means or by being deposited, postage prepaid, in a U.S. Postal Service letter box, addressed, as the case may be, to the City at _____, Oroville, CA ____, Attention: City Manager or, to the Corporation at _____, Oroville, CA ____, Attn: Chief Financial Officer (or such other addresses as may have been filed in writing by the City or the Corporation, as applicable, with the Bond Trustee). Notwithstanding the foregoing provisions of this Section 11.07, the Bond Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of any notice, unless and until the Bond Trustee actually receives such notice.

SECTION 11.08. Evidence of Rights of Bondholders. Any request, consent or other instrument required or permitted by this Bond Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or

of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Bond Indenture and shall be conclusive in favor of the Bond Trustee and of the City if made in the manner provided in this Section.

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

The ownership of Bonds shall be proved by the bond registration books held by the Bond Trustee.

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

SECTION 11.09. Disqualified Bonds. In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Bond Indenture, Bonds which are owned or held by or for the account of the City, the Corporation or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City, the Corporation or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, but only to the extent the Bond Trustee has actual knowledge of such ownership. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Bond Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City, the Corporation or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Bond Trustee taken upon the advice of counsel shall be full protection to the Bond Trustee.

SECTION 11.10. Money Held for Particular Bonds. The money held by the Bond Trustee for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust uninvested by it for the Holders of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04.

SECTION 11.11. Funds and Accounts. The Bond Trustee may establish such funds and accounts as it deems necessary or appropriate to fulfill its obligations under this Bond Indenture. Any fund required by this Bond Indenture to be established and maintained by the Bond Trustee may be established and maintained in the accounting records of the Bond Trustee either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with customary standards of the corporate trust industry, to the extent practicable, and with due regard for the requirements of Section 6.06 and for the protection of the security of the Bonds and the rights of every Holder thereof. Notwithstanding any other provision of this Bond Indenture, the Bond Trustee shall only be required to open any funds or accounts when it

receives, or is notified that it will receive, funds or moneys to be deposited and maintained in such funds or accounts.

SECTION 11.12. Waiver of Personal Liability. No member, officer, agent or employee of the Program Participants or the City shall be individually or personally liable for the payment of the principal (or Redemption Price) of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Bond Indenture.

SECTION 11.13. Business Days. If any date specified herein shall not be a Business Day, any action required on such date may be made on the next succeeding Business Day with the same effect as if made on such date.

SECTION 11.14. Governing Law; Venue. This Bond Indenture shall be construed in accordance with and governed by the laws of the State applicable to contracts made and performed in the State. This Bond Indenture shall be enforceable in the State, and any action arising hereunder shall (unless waived by the City in writing) be filed and maintained in the Superior Court of California, County of Sacramento.

SECTION 11.15. Execution in Several Counterparts. This Bond Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the City and the Bond Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the CITY OF OROVILLE has caused this Bond Indenture to be signed in its name by an Authorized Signatory of the City, and _____, in token of its acceptance of the trusts created hereunder, has caused this Bond Indenture to be signed in its corporate name by the officer thereunto duly authorized, all as of the day and year first above written.

CITY OF OROVILLE

By _____
Name _____
Title _____

_____, as Bond Trustee

By _____
Name _____
Title _____

EXHIBIT A

FORM OF BOND

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

NUMBER R-__ ***$_____***

CITY OF OROVILLE
REVENUE BONDS
(OROVILLE HOSPITAL)
SERIES 2018B

Interest Rate	Maturity Date	Dated Date	CUSIP Number

REGISTERED HOLDER: Cede & Co.

PRINCIPAL AMOUNT: _____ DOLLARS

CITY OF OROVILLE, a public entity of the State of California (herein called, the "City"), for value received, hereby promises to pay (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to the registered holder stated above, or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter mentioned), the principal amount stated above in lawful money of the United States of America; and to pay interest thereon (but only from said Revenues and other assets pledged therefor) in like lawful money from the date hereof until payment of such principal sum shall be discharged as provided in the Bond Indenture hereinafter mentioned, at the rate per annum stated above, payable on April 1 and October 1 of each year, commencing April 1, 2019. The principal (or Redemption Price) hereof is payable upon surrender of this Bond at the Corporate Trust Office (as defined in the Bond Indenture) of _____ (in such capacity herein called, the "Bond Trustee"). Interest hereon is payable by check mailed by first class mail on each interest payment date (except with respect to defaulted interest) to the person whose name appears on the bond registration books of the Bond Trustee as the registered holder hereof as of the close of business on the fifteenth (15th) calendar day of the month preceding such interest payment date, whether or not such day is a Business Day (as defined in the Bond Indenture hereinafter defined) (the "Record Date") at the address appearing on the bond registration books maintained by the Bond Trustee, or by wire transfer to an account within the United States to any registered holder of at least $1,000,000 in principal amount of Bonds if such registered holder has submitted a written request for such wire transfer to the Bond Trustee at least one Business Day prior to the Record Date. Notwithstanding the foregoing, so long as this Bond is registered in book-entry form, the principal or Redemption Price hereof and interest hereon shall be payable in accordance with the payment procedures of the Securities Depository. Interest shall be calculated on a three hundred sixty (360) day year basis comprised of twelve (12) thirty (30) day months.

This Bond is one of a duly authorized issue of bonds of the City designated as "City of Oroville Revenue Bonds (Oroville Hospital), Series 2018B" (herein called the "Bonds"), limited in aggregate principal amount to $_____ and issued pursuant to a Bond Indenture, dated as of December 1, 2018, between the City and the Bond Trustee (herein called the "Bond Indenture"). The Bonds are issued for the purpose of making a loan to Oroville Hospital (herein called the "Corporation") pursuant to a Loan Agreement, dated as of December 1, 2018 (herein called the "Loan Agreement"), between the City and the Corporation, for the purposes and on the terms and conditions set forth therein. The Bonds are further secured by an assignment of the right, title and interest of the City in the Loan Agreement (to the extent and as more particularly described in the Bond Indenture) and in Obligation No. 1, dated December __, 2018 (herein called "Obligation No. 1"), and issued by the Corporation, as Obligated Group Representative, pursuant to a Master Indenture of Trust, dated as of December 1, 2018 (as it may from time to time be supplemented, modified or amended in accordance with the terms thereof, herein called the "Master Indenture"), among the Corporation, each other Member (as defined therein) and _____, a national banking association, as master trustee (in such capacity herein called, the "Master Trustee") and a Related Supplement for Obligation No. 1, dated as of December 1, 2018 and effective as of December __, 2018, between the Corporation, as Obligated Group Representative, and the Master Trustee.

Reference is hereby made to the Bond Indenture (a copy of which is on file at said Corporate Trust Office of the Bond Trustee) and all indentures supplemental thereto and, to the Loan Agreement (a copy of which is on file at said Corporate Trust Office of the Bond Trustee) for a description of the rights thereunder of the registered holders of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Bond Trustee and of the rights and obligations of the City thereunder, to all the provisions of which Bond Indenture and Loan Agreement the registered holder of this Bond, by acceptance hereof, assents and agrees. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Bond Indenture.

The Bonds and the interest thereon are payable from Revenues and from certain funds and accounts established and maintained under the Bond Indenture, and are secured by a pledge and assignment of said Revenues and of amounts held in the funds and accounts established pursuant to the Bond Indenture (including proceeds of the sale of the Bonds but excluding amounts held in the Rebate Fund), subject only to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Indenture.

The Bonds are limited obligations of the City and are not a lien or charge upon the funds or property of the City, except to the extent of the aforementioned pledge and assignment.

THE BONDS DO NOT CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, OTHER THAN THE CITY, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR. THE CITY SHALL NOT BE OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST THEREON, EXCEPT FROM THE FUNDS PROVIDED THEREFOR UNDER THE BOND INDENTURE AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT.

THE CITY HAS NO TAXING POWER. MOREOVER, NEITHER THE CITY NOR THE PROGRAM PARTICIPANTS SHALL BE LIABLE FOR ANY OTHER COSTS, EXPENSES, LOSSES, DAMAGES, CLAIMS OR ACTIONS, IN CONNECTION WITH THE LOAN AGREEMENT, THE BONDS OR THE BOND INDENTURE, EXCEPT ONLY TO THE EXTENT AMOUNTS ARE RECEIVED FOR THE PAYMENT THEREOF FROM THE CORPORATION UNDER THE LOAN AGREEMENT OR THE OBLIGATED GROUP UNDER OBLIGATION NO. 1.

The Term Bonds maturing on April 1, ____; April 1, ____; April 1, ____; April 1, ____; and April 1, ____, are subject to mandatory redemption prior to their respective stated maturities in part, by lot, from Mandatory Sinking Account Payments, as provided in the Bond Indenture, on each April 1 on or after April 1, ____; April 1, ____; April 1, ____; April 1, ____; and April 1, ____, respectively, at the principal amount thereof together with interest accrued thereon to the date fixed for redemption, without premium.

The Bonds maturing on or after April 1, ____, are subject to optional redemption prior to their respective stated maturities, at the option of the City (which option shall be exercised upon Request of the Corporation given (unless waived by the Bond Trustee) at least twenty-five (25) days prior to such redemption date), from any source of available funds, in whole or in part (in such amounts and maturities as may be specified by the Corporation, or if the Corporation does not specify such maturities, in inverse order of maturity, and by lot within a maturity) on any date on or after April 1, ____, at a Redemption Price equal to 100% of the principal amount of Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The Bonds are subject to special redemption prior to their respective stated maturities, at the option of the City (which option shall be exercised upon Request of the Corporation given to the Bond Trustee (unless waived by the Bond Trustee) at least twenty-five (25) days prior to the date fixed for redemption) in whole or in part (in such amounts and maturities as may be designated by the Corporation or, if the Corporation does not designate such maturities, in inverse order of maturity, and by lot within a maturity) on any date, from hazard insurance or condemnation proceeds received with respect to the Facilities and deposited in the Special Redemption Account, at a Redemption Price equal to the principal amount of Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The Bonds are subject to special redemption prior to their respective stated maturities, at the option of the City (which option shall be exercised upon Request of the Corporation given to the Bond Trustee (unless waived by the Bond Trustee in its sole discretion) at least twenty-five (25) days prior to the date fixed for redemption) in whole but not in part, on any date, if (i) the Corporation or any other Member shall be legally required by reason of it being a party to the Master Indenture, the Loan Agreement or any other document in connection with the issuance of the Bonds to perform any medical or surgical procedure or otherwise to operate any of its health facilities in a manner which the Corporation, in good faith, shall believe to be contrary to the principles of the General Conference or (ii) the Corporation, in good faith, shall believe that there is a substantial threat of the Corporation or any other Member being so required, at a Redemption Price equal to 100% of the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

Notice of redemption shall be given by the Bond Trustee, not less than twenty (20) days, and not more than sixty (60) days prior to the redemption date, to the Securities Depository, of if the Bonds are no longer held in book-entry form, to the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the

Bond Trustee. If this Bond is called for redemption and payment is duly provided therefor as specified in the Bond Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption. Any notice of optional redemption may be rescinded by written notice delivered in the same manner as the initial redemption notice up through two Business Days prior to the proposed redemption date. In addition, each such notice shall also state that such redemption is conditional upon receipt by the Bond Trustee on or prior to the date fixed for such redemption of sufficient moneys to pay the Redemption Price of the Bonds to be redeemed and that if such amounts shall not have been so received the notice shall be of no force and effect and the City shall not be required to redeem such Bonds. The City (at the request of the Corporation) may also instruct the Bond Trustee to provide notice of redemption conditioned on the occurrence of any other event if such notice states that if such event does not occur the notice shall be of no force and effect and the City shall not be required to redeem such Bonds. In the event that a notice of redemption contains such a condition and such amounts are not so received or such event does not occur, the redemption shall not be made and the Bond Trustee shall thereafter as soon as practicable give notice to the same parties and in the same manner as the notice of redemption that such amounts were not so received or such event did not occur and such redemption was not made.

If an Event of Default shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Bond Indenture. The Bond Indenture provides that in certain events such declaration and its consequences may be rescinded by the Bond Trustee.

The Bonds are issuable only as fully registered Bonds in Authorized Denominations. "Authorized Denominations" means $5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Bond Indenture, Bonds may be exchanged, at the Corporate Trust Office of the Bond Trustee, for a like aggregate principal amount of Bonds of other Authorized Denominations of the same maturity.

This Bond is transferable by the registered holder hereof, in person or by his attorney duly authorized in writing, at the Corporate Trust Office of the Bond Trustee, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Bond Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a Bond or Bonds, of Authorized Denomination, of the same maturity and for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

The City and the Bond Trustee may treat the registered holder hereof as the absolute owner hereof for all purposes, and the City and the Bond Trustee shall not be affected by any notice to the contrary.

The Bond Indenture and the rights and obligations of the City and of the registered holders of the Bonds and of the Bond Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Bond Indenture; provided that no such modification or amendment shall (i) extend the fixed maturity of this Bond, or reduce the amount of principal hereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided in the Bond Indenture for the payment of the Bonds, or reduce the rate of interest hereon, or change the method of determining the rate of interest thereon, or extend the time of payment of interest hereon, or reduce any premium payable upon the redemption hereof, without the consent of the registered holder hereof, or (ii) reduce the percentage of Bonds the consent of the registered holders of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Revenues and other assets pledged under the Bond Indenture prior to or on a parity with the lien created by the Bond Indenture, or deprive the registered holders of the

Bonds of the lien created by the Bond Indenture on such Revenues and other assets (except as expressly provided in the Bond Indenture), without the consent of the registered holders of all Bonds then outstanding, all as more fully set forth in the Bond Indenture.

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

This Bond shall not be entitled to any benefit under the Bond Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Bond Trustee.

IN WITNESS WHEREOF, CITY OF OROVILLE has caused this Bond to be executed in its name and on its behalf by the facsimile signature of its Mayor attested by the facsimile signature of its City Clerk, all as of the date set forth above.

CITY OF OROVILLE

By _____
Mayor

Attest:

_____
City Clerk

[FORM OF BOND TRUSTEE'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the within mentioned Bond Indenture, which has been authenticated on the date set forth below.

Date of Authentication: [_____]

_____

By _____
Authorized Officer

[FORM OF ASSIGNMENT]

For value received, the undersigned do(es) hereby sell, assign and transfer unto

_____

_____

_____

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

_____

_____

_____

the within Bond and do(es) hereby irrevocably constitute(s) and appoint(s)

_____

_____

attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

_____

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

_____

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

EXHIBIT B

FORM OF REQUISITION FOR PROJECT FUND

[TO COME]

LOAN AGREEMENT

Dated as of December 1, 2018

by and between the

CITY OF OROVILLE

and

OROVILLE HOSPITAL

Relating To
$_____
City of Oroville
Revenue Bonds
(Oroville Hospital)
Series 2018B

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LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of December 1, 2018 (the "Loan Agreement"), between the CITY OF OROVILLE, a municipal corporation and chartered city (the "City"), and OROVILLE HOSPITAL, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation");

W I T N E S S E T H:

WHEREAS, the Corporation has applied for the financial assistance of the City in the financing of the Project (as defined herein), which is the acquisition, construction, improvement, renovation and/or equipping of certain health facilities (the "Facilities") owned and/or operated by the Corporation;

WHEREAS, the City has authorized the issuance of its City of Oroville Revenue Bonds (Oroville Hospital), Series 2018B (the "Bonds"), pursuant to a bond indenture, in an aggregate principal amount of $_____ to finance the Project; and

WHEREAS, pursuant to a Master Indenture of Trust, dated as of December 1, 2018 (as supplemented, amended and/or modified from time to time, the "Master Indenture"), by and between the Corporation, and _____, a national banking association duly organized and existing under the laws of the United States of America, as master trustee (in such capacity, the "Master Trustee"), as supplemented by a Related Supplement for Obligation No. 1, dated as of December 1, 2018 and effective as of December __, 2018, between the Corporation, as Obligated Group Representative and the Master Trustee, the Corporation, as Obligated Group Representative, has issued Obligation No. 1 to evidence the obligation of the Members to make payments sufficient to pay the principal of and interest on the Bonds; and

WHEREAS, the City and the Corporation have each duly authorized the execution, delivery and performance of this Loan Agreement;

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

ARTICLE I

DEFINITIONS; INTERPRETATION; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.1 Definitions. Unless the context otherwise requires, all terms used herein shall have the meanings assigned to such terms in Section 1.01 of the Bond Indenture, dated as of December 1, 2018, between the City and _____, as bond trustee (the "Bond Trustee"), as originally executed and as amended or supplemented from time to time (the "Bond Indenture").

Section 1.2 Interpretation.

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

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

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

Section 1.3 Content of Certificates and Opinions. Every certificate or opinion provided for in this Loan Agreement with respect to compliance with any provision hereof shall include the requirements set forth in Section 1.02 of the Bond Indenture.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE CORPORATION

Section 2.1 Representations and Warranties of the Corporation. The Corporation represents and warrants to the City that, as of the date of execution of this Loan Agreement and as of the date of delivery of the Bonds to the initial purchasers thereof (such representations and warranties to remain operative and in full force and effect regardless of the issuance of the Bonds or any investigations by or on behalf of the City or the results thereof):

(a) The Corporation is a nonprofit public benefit corporation duly incorporated and in good standing under the laws of the State of California, the Corporation, on its own behalf or as Obligated Group Representative, as applicable, has full legal right, power and authority to enter into this Loan Agreement, Related Supplement No. 1 and Obligation No. 1, and to carry out all of its obligations under and consummate all transactions contemplated by this Loan Agreement, Related Supplement No. 1 and Obligation No. 1, and by proper corporate action has duly authorized the execution, delivery and performance of this Loan Agreement, Related Supplement No. 1 and Obligation No. 1.

(b) The officers of the Corporation executing this Loan Agreement, Related Supplement No. 1 and Obligation No. 1 are duly and properly in office and fully authorized to execute the same.

(c) This Loan Agreement, Related Supplement No. 1 and Obligation No. 1 have been duly authorized, executed and delivered by the Corporation, on its own behalf or as Obligated Group Representative, as applicable.

(d) The Master Indenture has been duly authorized, executed and delivered by each of the Members and the Corporation has full legal right, power and authority to carry out and consummate all transactions contemplated thereby. The Master Indenture is a legal, valid and binding agreement of the Corporation and the other Members, enforceable against the Corporation and the other Members in accordance with its terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

(e) This Loan Agreement and Obligation No. 1, when and to the extent assigned to the Bond Trustee pursuant to the Bond Indenture, will constitute the legal, valid and binding agreements of the Corporation and, with respect to Obligation No. 1, the other Members, with the Bond Trustee enforceable against the Corporation, and, with respect to Obligation No. 1, against the Members, in accordance with their terms for the benefit of the Holders of the Bonds, and any rights of the City and obligations of the Corporation and the other Members not so assigned to the Bond Trustee constitute the legal, valid, and binding agreements of, with respect to the Loan Agreement, the Corporation, and, with respect to Obligation No. 1, of the Members, enforceable against the Corporation and the Members, respectively, in accordance with their terms; except in each case as enforcement may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity and by public policy.

(f) The execution and delivery of this Loan Agreement, Related Supplement No. 1 and Obligation No. 1, the consummation of the transactions herein and therein contemplated and

the fulfillment of or compliance with the terms and conditions hereof and thereof, will not conflict with or constitute a violation or breach of or default in any material respect (with due notice or the passage of time or both) under the articles of incorporation of any Member, its bylaws, or any applicable law or administrative rule or regulation, any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which any Member is a party or by which it or its properties or the Facilities are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of any Member, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Loan Agreement, Obligation No. 1, Related Supplement No. 1 or the Master Indenture (with respect to the Bonds and Obligation No. 1), or the financial condition, assets, properties or operations of the Obligated Group taken as a whole.

(g) No consent or approval of any trustee or holder of any indebtedness of any Member or any guarantor of indebtedness of or other provider of credit or liquidity for any Member, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities or "blue sky" laws) is necessary in connection with the execution and delivery of this Loan Agreement, Obligation No. 1 or Related Supplement No. 1 or the consummation of any transaction herein or therein or in the Master Indenture (with respect to the Bonds and Obligation No. 1) contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect.

(h) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending (for which service of process has been received), or to the knowledge of the Corporation, after reasonable investigation, threatened, against or affecting any Member or the assets, properties or operations of any Member which, if determined adversely to any Member or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, this Loan Agreement, the Master Indenture (with respect to the Bonds and Obligation No. 1), Obligation No. 1, or Related Supplement No. 1 or upon the financial condition, assets, properties or operations of the Obligated Group taken as a whole, and no Member is in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Loan Agreement, the Master Indenture (with respect to the Bonds and Obligation No. 1), Obligation No. 1, or Related Supplement No. 1, or the financial condition, assets, properties or operations of the Obligated Group taken as a whole. All tax returns (federal, state and local) required to be filed by or on behalf of the Members have been filed, and all taxes shown thereon to be due, including interest and penalties, except such, if any, as are being actively contested by any Member in good faith, have been paid or adequate reserves have been made for the payment thereof, which reserves, if any, are reflected in the audited financial statements described therein. The Corporation enjoys the peaceful and undisturbed possession of all of the Facilities it owns or operates.

(i) No written information, exhibit or report furnished to the City by the Corporation or any other Member in connection with the negotiation of this Loan Agreement, Obligation No. 1, or Related Supplement No. 1 (including without limitation information concerning the Members in the Official Statement of the City for the Bonds) contains any untrue statement of

a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) The Members are organizations described in Section 501(c)(3) of the Code and are exempt from federal income tax under Section 501(a) of the Code, except for unrelated business taxable income under Section 511 of the Code, and are not private foundations as described in Section 509(a) of the Code.

(k) The Corporation has good and marketable title to those Facilities owned or operated by it which are subject to the Deed of Trust (as defined in the Master Indenture) free and clear from all encumbrances other than Permitted Liens (as defined in the Master Indenture).

(l) The audited statements of financial position at November 30, 2017 and November 30, 2016, and the related statements of activities and cash flows for the years ended November 30, 2017 and November 30, 2016, of the Corporation and Subsidiaries (copies of which have been furnished to the City) fairly present the financial position of the Corporation and Subsidiaries at each such date and the results of operations for the years ended on each such date, and since November 30, 2017, there has been no material adverse change in the financial condition or results of operations of the Corporation and Subsidiaries.

(m) The Members comply in all material respects with all applicable Environmental Regulations.

(n) None of the Corporation, any other Member or the Facilities are the subject of a federal, state or local investigation evaluating whether any remedial action is needed to respond to any alleged violation of or condition regulated by Environmental Regulations or to respond to a release of any Hazardous Substances into the environment.

(o) Neither the Corporation nor any of the other Members have any material contingent liability in connection with any release of any Hazardous Substances into the environment.

ARTICLE III

ISSUANCE OF BONDS AND OBLIGATION NO. 1; LOAN OF PROCEEDS

Section 3.1 The Bonds. Pursuant to the Bond Indenture, the City has authorized the issuance of the Bonds in the aggregate principal amount of $_____. The City hereby loans and advances to the Corporation, and the Corporation hereby borrows and accepts from the City (solely from the proceeds of the sale of the Bonds), the proceeds of the Bonds to be applied under the terms and conditions of this Loan Agreement and the Bond Indenture. The Corporation hereby approves the Bond Indenture and the issuance of the Bonds thereunder by the City, the assignment thereunder to the Bond Trustee of the right, title and interest of the City (x) in this Loan Agreement (except for (i) the right to receive any Additional Payments or Administrative Fees and Expenses to the extent payable to the City, (ii) any rights of the City to receive any amounts paid by the Corporation pursuant to Sections 4.2, 5.3, 5.4 and 6.5 of this Loan Agreement, (iii) the right of the City to enforce the special services covenant pursuant to Section 5.10 of this Loan Agreement, (iv) the rights of the City to enforcement or inspection or to receive notice or opinions under this Loan Agreement and (v) the obligation of the Corporation to make deposits pursuant to the Tax Certificate) and (y) in Obligation No. 1, if any.

Section 3.2 Issuance of Obligation No. 1. In consideration of the issuance of the Bonds by the City and the application of the proceeds thereof as provided in the Bond Indenture, the Corporation agrees to issue, and to cause to be authenticated and delivered to the City or its designee, pursuant to the Master Indenture and Related Supplement No. 1, concurrently with the issuance and delivery of the Bonds, Obligation No. 1 in substantially the form set forth in Section 10 of Related Supplement No. 1. The City agrees that Obligation No. 1 shall be registered in the name of the Bond Trustee. The Corporation agrees that the aggregate principal amount of Obligation No. 1 shall be limited to $_____, except for any Obligation No. 1 authenticated and delivered in lieu of another Obligation No. 1 as provided in Section 6 of Related Supplement No. 1 with respect to the mutilation, destruction, loss or theft of Obligation No. 1 or, subject to the provisions of Section 3.3 hereof, upon transfer of registration of Obligation No. 1. Issuance and delivery of the Bonds by the City shall be a condition of the issuance and delivery of Obligation No. 1.

Section 3.3 Restrictions on Number and Transfer of Obligation No. 1.

(a) The Corporation agrees that, except as provided in subsection (b) of this Section, so long as any Bond remains Outstanding, Obligation No. 1 shall be issuable only as a single obligation without coupons, registered as to principal and interest in the name of the Bond Trustee, and no transfer of Obligation No. 1 shall be registered under the Master Indenture or be recognized by the Corporation except for transfers to a successor Bond Trustee.

(b) Upon the principal of all Obligations Outstanding (within the meaning of that term as used in the Master Indenture) being declared immediately due and payable, Obligation No. 1 may be transferred if and to the extent that the Bond Trustee requests that the restrictions on transfers set out in subsection (a) of this Section be terminated.

ARTICLE IV

PAYMENTS

Section 4.1 Payments of Principal and Interest, and Debt Service Reserve Fund Deficiencies.

(a) In consideration of the loan of such proceeds to the Corporation, the Corporation agrees that, on or before the Business Day preceding each Interest Payment Date (or, the twenty-fifth (25th) day of each month with respect to the Debt Service Reserve Fund if required by Section 4.7 hereof) and as long as any of the Bonds remain Outstanding, it shall pay to the Bond Trustee for deposit in the Revenue Fund or the Debt Service Reserve Fund, as applicable, such amount as is required by the Bond Trustee to make the transfers and deposits required on such Business Day (or, the twenty-fifth (25th) day of such month with respect to the Debt Service Reserve Fund if required by Section 4.7 hereof) by Section 5.02 or Section 5.06 of the Bond Indenture (the portion of such payments allocable to the Interest Account and the Principal Account, the "Loan Repayments"). Notwithstanding the foregoing, if on the Business Day immediately preceding any Interest Payment Date or Principal Payment Date, the aggregate amount in the Revenue Fund and the Debt Service Reserve Fund is for any reason insufficient or unavailable to make the required payments of principal (or Redemption Price) of or interest on the Bonds then becoming due (whether by maturity, redemption, acceleration or otherwise), the Corporation, upon receipt of notice thereof from the Bond Trustee, shall forthwith pay the amount of any such deficiency to the Bond Trustee. Each payment by the Corporation to the Bond Trustee pursuant to this Section 4.1(a) shall be in lawful money of the United States of America and paid to the Bond Trustee at the Corporate Trust Office, and held, invested, disbursed and applied as provided in the Bond Indenture.

(b) Except as otherwise expressly provided herein, all amounts payable hereunder by the Corporation to the City shall be paid to the Bond Trustee as assignee of the City and this Loan Agreement and all right, title and interest of the City in any such payments are assigned and pledged to the Bond Trustee pursuant to the Bond Indenture so long as any Bonds remain Outstanding.

Section 4.2 Additional Payments. In addition to the Loan Repayments and payments for deposit in the Debt Service Reserve Fund and the Rebate Fund, the Corporation shall also pay to the City or to the Bond Trustee, as the case may be, "Additional Payments," as follows:

(a) all taxes and assessments of any type or character charged to the City or to the Bond Trustee affecting the amount available to the City or the Bond Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Bond Trustee and taxes based upon or measured by the net income of the Bond Trustee; provided, however, that the Corporation shall have the right to protest any such taxes or assessments and to require the City or the Bond Trustee, as the case may be, at the Corporation's expense, to protest and contest any such taxes or assessments assessed or levied upon them and that the Corporation shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the City or the Bond Trustee;

(b) all reasonable fees, charges and expenses of the Bond Trustee for services rendered under the Bond Indenture, as and when the same become due and payable;

(c) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the City or the Bond Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Loan Agreement, Obligation No. 1, Related Supplement No. 1 or the Bond Indenture; and

(d) the reasonable fees and expenses of the City, or any agent or attorney selected by the City to act on its behalf, in connection with this Loan Agreement, the Master Indenture, Obligation No. 1, Related Supplement No. 1, the Bonds or the Bond Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation, inquiry or other proceeding which may at any time be instituted involving this Loan Agreement, the Master Indenture, Obligation No. 1, Related Supplement No. 1, the Bonds or the Bond Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Corporation, its properties, assets or operations or otherwise in connection with the administration of this Loan Agreement, the Master Indenture, Obligation No. 1 or Related Supplement No. 1.

Such Additional Payments shall be billed to the Corporation by the City or the Bond Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the City or the Bond Trustee for one or more of the above items. After such a demand, amounts so billed shall be paid by the Corporation within thirty (30) days after receipt of the bill by the Corporation.

Section 4.3 Credits for Payments. The Corporation shall receive credit against its payments required to be made under Section 4.1, in addition to any credits resulting from payment or repayment from other sources, as follows:

(a) on installments of interest in an amount equal to moneys deposited in the Interest Account, to the extent such amounts have not previously been credited against such payments;

(b) on installments of principal in an amount equal to moneys deposited in the Principal Account, to the extent such amounts have not previously been credited against such payments;

(c) on installments of principal and interest, respectively, in an amount equal to the principal amount of Bonds for the payment at maturity or redemption of which sufficient amounts (as determined by Section 10.03 of the Bond Indenture) in cash or United States Government Obligations are on deposit as provided in Section 10.03 of the Bond Indenture to the extent such amounts have not previously been credited against such payments, and the interest on such Bonds from and after the date fixed for payment at maturity or redemption thereof. Such credits shall be made against the installments of principal, premium, if any, and interest which would have been used, but for such call for redemption, to pay principal of and interest on such Bonds when due at maturity; and

(d) on installments of principal and interest in an amount equal to the principal amount of Bonds acquired by the Corporation and surrendered to the Bond Trustee for cancellation or purchased by the Bond Trustee and cancelled, and the interest on such Bonds from and after the date interest thereon has been paid prior to cancellation. Such credits shall be made against the installments of principal and interest which would have been used, but for such cancellation, to pay principal of and interest on such Bonds when due.

Section 4.4 Prepayment. The Corporation shall have the right, so long as all amounts which have become due hereunder have been paid, at any time or from time to time to prepay all or any part of its Loan Repayments and the City agrees that the Bond Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash or surrender of Bonds. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Bonds) shall be deposited upon receipt in the Optional Redemption Account or the Special Redemption Account of the Redemption Fund and, at the request of and as determined by the Corporation, credited against payments due hereunder or used for the redemption or purchase of Outstanding Bonds in the manner and subject to the terms and conditions set forth in the Bond Indenture. The Corporation also shall have the right to surrender Bonds acquired by it in any manner whatsoever to the Bond Trustee for cancellation, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired, and in the case of Bonds shall be allocated as set forth in the Bond Indenture. Notwithstanding any such prepayment or surrender of Bonds, as long as any Bonds remain Outstanding or any Additional Payments required to be made hereunder remain unpaid, the Corporation shall not be relieved of its obligations hereunder.

Section 4.5 Obligations Unconditional. The obligations of the Corporation hereunder are absolute and unconditional, notwithstanding any other provision of this Loan Agreement, Related Supplement No. 1, Obligation No. 1, the Master Indenture or the Bond Indenture. Until this Loan Agreement is terminated and all payments hereunder are made, the Corporation:

(a) shall pay all amounts required hereunder without abatement, deduction or setoff except as otherwise expressly provided in this Loan Agreement;

(b) shall not suspend or discontinue any payments due hereunder for any reason whatsoever, including, without limitation, any right of setoff or counterclaim;

(c) shall perform and observe all its other agreements contained in this Loan Agreement; and

(d) except as provided herein, shall not terminate this Loan Agreement for any cause including, without limiting the generality of the foregoing, damage, destruction or condemnation of the Facilities or any part thereof, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State, or any political subdivision of either thereof or any failure of the City to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement. Nothing contained in this Section shall be construed to release the City from the performance of any of the agreements on its part herein contained; and in the event the City should fail to perform any such agreement on its part, the Corporation may institute such action against the City as the Corporation may deem necessary to compel performance.

The rights of the Bond Trustee or any party or parties on behalf of whom the Bond Trustee is acting shall not be subject to any defense, setoff, counterclaim or recoupment whatsoever, whether arising out of any breach of any duty or obligation of the City, the Master Trustee or the Bond Trustee owing to the Corporation, or by reason of any other indebtedness or liability at any time owing by the City, the Master Trustee or the Bond Trustee to the Corporation.

Section 4.6 Condition Precedent. The obligation of the City to make the loan as herein provided shall be subject to the receipt by it by the Bond Trustee on its behalf of the proceeds of the issuance and sale of the Bonds.

Section 4.7 Debt Service Reserve Fund. The Corporation agrees to transfer to the Bond Trustee for deposit in the Debt Service Reserve Fund the amount necessary to restore the amount on deposit in the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement within 120 days following the date on which the Corporation receives notice of a deficiency in such fund pursuant to a valuation of Investment Securities pursuant to Section 5.06 of the Bond Indenture. If at any time the amount on deposit in the Debt Service Reserve Fund is less than 100% of the Debt Service Reserve Fund Requirement as a result of the Debt Service Reserve Fund having been drawn upon or the lapse or expiration of a Reserve Facility, the Corporation agrees to restore the amount on deposit in the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement, by the deposit with the Bond Trustee of an amount equal to such deficiency in not more than 12 substantially equal monthly installments beginning with the twenty-fifth day of the sixth month after the month in which such draw occurred. Interest, profits and other income received from the investment of moneys in the Debt Service Reserve Fund shall be deposited when received in the Revenue Fund.

ARTICLE V

PARTICULAR COVENANTS

Section 5.1 Prohibited Uses. No portion of the proceeds of the Bonds shall be used to finance or refinance any facility, place or building used or to be used (1) primarily for sectarian instruction or study or as a place for devotional activities or religious worship; or (2) by a Person that is not a 501(c)(3) Organization or a Governmental Unit or by a 501(c)(3) Organization, including the Corporation and any other Member, in an "unrelated trade or business" (as set forth in Section 513(a) of the Code), in such a manner or to such extent as would result in any of the Bonds being treated as an obligation not described in Section 103(a) of the Code. The City and the Corporation confirm and agree that the Corporation and its affiliates may continue to operate their facilities in accordance with the principles stated in its and their articles of incorporation and bylaws, as amended from time to time, and nothing herein shall prohibit the use of the Facility for the training in health care and related pursuits and the providing of health care to the general public according to such principles.

Section 5.2 Nonliability of the City. The City shall not be obligated to pay the principal (or Redemption Price) of, or interest on the Bonds, except from Revenues and other moneys and assets received by the Bond Trustee pursuant to this Loan Agreement and Obligation No. 1. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the City, is pledged to the payment of the principal (or Redemption Price) of, or interest on the Bonds. The City shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with this Loan Agreement, Obligation No. 1, the Bonds or the Bond Indenture, except only to the extent amounts are received for the payment thereof from the Corporation under this Loan Agreement or from the Members under Obligation No. 1.

The Corporation hereby acknowledges that the City's sole source of moneys to repay the Bonds (whether by maturity, redemption, acceleration or otherwise) will be provided by the payments made by the Corporation to the Bond Trustee pursuant to this Loan Agreement and by the Members pursuant to Obligation No. 1, together with amounts on deposit in and investment income on certain funds and accounts held by the Bond Trustee under the Bond Indenture, and hereby agrees that if the payments to be made hereunder and under Obligation No. 1 shall ever prove insufficient to pay all principal (or Redemption Price) of, and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Bond Trustee, the Corporation shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or Redemption Price) of, or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Bond Trustee, the Master Trustee, the Corporation, the Members, the City or any third party, subject to any right of reimbursement therefor from the Bond Trustee, the City or any such third party, as the case may be.

Section 5.3 Expenses. The Corporation covenants and agrees to pay and to indemnify the City and the Bond Trustee against all reasonable fees, costs and charges, including reasonable fees and expenses of attorneys, accountants, consultants and other experts, incurred in good faith (and with respect to the Bond Trustee, without negligence) and arising out of or in connection with this Loan Agreement, the Master Indenture, Obligation No. 1, Related Supplement No. 1, the Bonds or the Bond Indenture. These obligations and those in Section 5.4 shall remain valid and in effect notwithstanding repayment of the loan hereunder

or the Bonds or termination of this Loan Agreement or the Bond Indenture and, in the case of the Bond Trustee, any resignation or removal.

Section 5.4 Indemnification.

(a) To the fullest extent permitted by law, the Corporation agrees to indemnify, hold harmless and defend the City, the Bond Trustee, and each of their respective officers, governing members, directors, officials, employees, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Bonds, the Bond Indenture, this Loan Agreement, Obligation No. 1, Related Supplement No. 1, the Master Indenture or the Tax Certificate or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the issuance, sale or resale of the Bonds;

(ii) any act or omission of the Corporation, any Member or any of the Corporation's or any Member's agents, contractors, servants, employees, tenants or licensees in connection with the Project or the Facilities, or the operation of the Project or the Facilities, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Project or the Facilities or any part thereof;

(iii) any lien or charge upon payments by the Corporation to the City and the Bond Trustee hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the City or the Bond Trustee in respect of any portion of the Project or the Facilities;

(iv) any violation of any Environmental Regulations with respect to, or the release of any Hazardous Substances from, the Project or the Facilities or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering or disclosure document or continuing disclosure document for the Bonds or any of the documents relating to the Bonds, or any omission or alleged omission from any offering or disclosure document or continuing disclosure document for the Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(vii) any declaration of taxability of interest on the Bonds, or allegations that interest on the Bonds is taxable, or any regulatory audit or inquiry regarding whether interest on the Bonds is taxable;

(viii) the Bond Trustee's acceptance or administration of the trust of the Bond Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party;

except, (A) in the case of the foregoing indemnification of the Bond Trustee or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party; or (B) in the case of the foregoing indemnification of the City or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Corporation, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Corporation shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of the Corporation if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

(b) The rights of any Persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant to Sections 4.2, 5.3, 5.4 and 6.5 shall survive the final payment or defeasance of the Bonds and, in the case of the Bond Trustee, any resignation or removal. The provisions of this Section shall also survive the termination of this Loan Agreement.

Section 5.5 Tax Covenant. The Corporation covenants and agrees that it will at all times do and perform all acts and things permitted by law and this Loan Agreement which are necessary in order to assure that interest paid on the Bonds will be excluded from gross income for federal income tax purposes and will take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the Corporation agrees to comply with the provisions of the Tax Certificate. This covenant shall survive payment in full or defeasance of the Bonds.

Section 5.6 Post Issuance Compliance Undertakings.

(a) The Corporation acknowledges that the Internal Revenue Service (the "IRS") mandates certain filing requirements with respect to post-issuance tax compliance, private use and/or unrelated trade or business use, including the proper method for computing whether any such use has occurred under Section 145 of the Code. The Corporation covenants that it will undertake to determine (or have determined on its behalf) the information required to be reported on the IRS Form 990 (Schedule K) Supplemental Information on Tax-Exempt Bonds on an annual basis and will undertake to comply with the aforementioned filing requirements and any related requirements that may be applicable to the Bonds (collectively, the "Post-Issuance Requirements"). Further, the Corporation covenants that it has adopted, or, if not, will promptly adopt, management practices and procedures to ensure the Corporation complies with the Post-Issuance Requirements with respect to the Bonds.

(b) The Corporation initially has constituted a Bond Compliance Committee to be responsible for satisfying the Post-Issuance Requirements with respect to the Bonds. The Chief Executive Officer of the Corporation has final responsibility for monitoring and enforcing Post-Issuance Requirements with respect to the Bonds.

Section 5.7 Continuing Disclosure. The Corporation hereby covenants and agrees that it will enter into, comply with and carry out all of the provisions of a disclosure agreement with respect to the Bonds that complies with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission (as amended from time to time, the "Rule"), in form and substance satisfactory to the Participating Underwriter(s) (as defined in the Rule). Notwithstanding any other provision of this Loan Agreement or the Bond Indenture, failure of the Corporation to enter into and comply with such a disclosure agreement shall not be considered a Loan Default Event or an Event of Default; however, the Bond Trustee may, and, at the request of any Participating Underwriter or the Holders of at least 25% in aggregate principal amount of Outstanding Bonds, shall, with indemnification satisfactory to it, or any Bondholder or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Corporation to comply with its obligations under this Section 5.7.

Section 5.8 Annual Reporting Covenant. No later than January 31 of each calendar year (commencing January 31, ____), the Corporation, on behalf of the City, agrees to provide to the California Debt and Investment Advisory Commission, by any method approved by the California Debt and Investment Advisory Commission, with a copy to the City, the annual report information required by Section 8855(k)(1) of the California Government Code with respect to the Bonds. This covenant shall remain in effect until the later of the date (i) the Bonds are no longer Outstanding or (ii) the proceeds of the Bonds have been fully spent.

Section 5.9 Waiver of Personal Liability. No member, officer, agent or employee of the City, or any member, trustee, director, officer, agent or employee of the Corporation or any other Member shall be individually or personally liable for the payment of any principal (or Redemption Price) of, or interest on the Bonds or any other sum hereunder or under the Bond Indenture or be subject to any personal liability or accountability by reason of the execution and delivery of this Loan Agreement, but nothing herein contained shall relieve any such member, trustee, director, officer, agent or employee from the performance of any official duty provided by law or by this Loan Agreement.

Section 5.10 Special Services Covenant. The Corporation (or another Member) shall maintain, or cause to be maintained, (x) a hospital facility providing inpatient and outpatient services to patients within the territorial limits of the County of San Bernardino (y) a hospital facility providing inpatient and outpatient services within the territorial limits of the City of Murrieta, as long as any Bonds allocable to the Facilities owned and/or operated by the Corporation remains Outstanding; provided, however, the City, upon review of such facts as it deems relevant, may, from time to time, allow any Member to provide, or cause to be provided, alternative services which provide public benefit to the City and its residents, or deem this special services covenant to be satisfied in whole or in part. Failure to comply with the provisions of this Section shall not constitute a Loan Default Event but shall be enforceable solely by the City by such action, at law or in equity, as the City in its sole discretion shall deem appropriate. This Section shall not be enforceable by the Bond Trustee, any Bondholder, or by any other Person other than the City.

Section 5.11 Compliance with Bond Indenture. The Corporation hereby covenants and agrees that it will comply with and carry out all of the provisions of the Bond Indenture to

be performed by the Corporation and consents to the waiver of confirmation as set forth in Section 5.08 of the Bond Indenture.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.1 Events of Default. Each of the following events shall constitute and be referred to herein as a "Loan Default Event":

(a) Failure by the Corporation to pay in full any Loan Repayment by the related Interest Payment Date;

(b) Failure by the Corporation to pay in full deposits due and payable to the Debt Service Reserve Fund when due and payable pursuant to Section 4.7 hereof;

(c) Failure of the Corporation to pay any other payment required hereunder within a period of five Business Days after the same becomes due and payable (provided, such five Business Day period shall not apply to deposits due and payable to the Debt Service Reserve Fund);

(d) If any material representation or warranty made by the Corporation herein or made by the Corporation in any document, instrument or certificate furnished to the Bond Trustee or the City in connection with the issuance of Obligation No. 1 or the Bonds shall at any time prove to have been incorrect in any material respect as of the time made;

(e) If the Corporation shall fail to observe or perform any covenant, condition, agreement or provision in this Loan Agreement on its part to be observed or performed, other than as referred to in subsection (a) - (d) of this Section, or shall breach any warranty by the Corporation herein contained, for a period of sixty (60) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the Corporation by the City or the Bond Trustee; except that, if such failure or breach can be remedied but not within such sixty (60) day period, such failure or breach shall not become a Loan Default Event if cure is diligently being pursued; all action reasonably possible is being taken within such sixty (60) day period to remedy such failure or breach and the failure or breach is remedied within one hundred eighty (180) days after the giving of the written notice;

(f) If the Corporation files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the Corporation's facilities;

(g) If a court of competent jurisdiction shall enter an order, judgment or decree declaring the Corporation an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the Corporation or of the whole or any substantial part of the Corporation's facilities, or approving a petition filed against the Corporation seeking reorganization of the Corporation under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof;

(h) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Corporation's facilities, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control;

(i) Any Event of Default as defined in and under the Bond Indenture; or

(j) Any Event of Default in and under the Master Indenture.

Upon having actual notice of the existence of a Loan Default Event, the Bond Trustee shall serve written notice thereof upon the City, the Corporation and the Obligated Group Representative. As used herein, the term "actual knowledge" means the actual fact or statement of knowing without any duty to make any investigation with regard thereto.

Section 6.2 Remedies in General. Upon the occurrence and during the continuance of any Loan Default Event, the Bond Trustee on behalf of the City, at the Bond Trustee's option but subject to the limitations in the Bond Indenture as to the enforcement of remedies, may take such action as it deems necessary or appropriate to collect amounts due hereunder, to enforce performance and observance of any obligation or agreement of the Corporation hereunder or to protect the interests securing the same, and may, without limiting the generality of the foregoing:

(a) Exercise any or all rights and remedies given hereby or available hereunder or given by or available under any other instrument of any kind securing the Corporation's performance hereunder;

(b) By written notice to the Corporation declare Loan Repayments equal to all amounts then due and payable on the Bonds, whether by acceleration of maturity or otherwise, to be immediately due and payable under this Loan Agreement, whereupon the same shall become immediately due and payable; and

(c) Take any action at law or in equity to collect the payment required hereunder then due, whether on the stated due date or by declaration of acceleration or otherwise, for damages or for specific performance or otherwise to enforce performance and observance of any obligation, agreement or covenant of the Corporation hereunder.

Notwithstanding any other provision of this Loan Agreement or any right, power or remedy existing at law or in equity or by statute, the Bond Trustee shall not under any circumstances declare the entire unpaid aggregate amount of the Loan Repayments due hereunder to be immediately due and payable except in accordance with the directions of the Master Trustee if the Master Trustee shall have declared the aggregate principal amount of Obligation No. 1 and all interest thereon immediately due and payable in accordance with Section 4.02 of the Master Indenture and, if the Master Trustee has made such a declaration, and the Bonds are then due and payable whether by acceleration or otherwise the Bond Trustee shall declare the Loan Repayments hereunder to be immediately due and payable..

Section 6.3 Discontinuance or Abandonment of Default Proceedings. If any proceeding taken by the Bond Trustee on account of any Loan Default Event shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Bond Trustee, then and in every case, the City, the Bond Trustee and the Corporation shall be restored to their former position and rights hereunder, respectively, and all rights, remedies and powers of the City and the Bond Trustee shall continue as though no such proceeding had taken place.

Section 6.4 Remedies Cumulative. No remedy conferred upon or reserved to the City or the Bond Trustee hereby or now or hereafter existing at law or in equity or by statute, shall be exclusive but shall be cumulative with all others. Such remedies are not mutually exclusive and no election need be made among them, but any such remedy or any combination of such

remedies may be pursued at the same time or from time to time so long as all amounts realized are properly applied and credited as provided herein. No delay or omission to exercise any right or power accruing upon any Loan Default Event shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient by the City or the Bond Trustee. In the event of any waiver of a Loan Default Event hereunder, the parties shall be restored to their former positions and rights hereunder, but no such waiver shall extend to any other or subsequent Loan Default Event or impair any right arising as a result thereof. In order to entitle the Bond Trustee to exercise any remedy reserved to it, it shall not be necessary to give notice other than as expressly required herein.

Section 6.5 Attorney's Fees and Other Expenses. If, as a result of the occurrence of a Loan Default Event, the City or the Bond Trustee employs attorneys or incurs other expenses for the collection of payments due hereunder or for the enforcement of performance or observance of any obligation or agreement on the part of the Corporation, the Corporation shall, on demand, reimburse the City or the Bond Trustee, as the case may be, for the reasonable fees of such attorneys and such other reasonable expenses so incurred.

Section 6.6 Notice of Default. As soon as is practicable and in any event within ten (10) days after the Corporation has actual knowledge of the occurrence of any event which is a Loan Default Event, the Corporation shall furnish the Bond Trustee and the City notice of such event to the extent it has occurred and is continuing on the date of such notice, which notice shall set forth the nature of such event and the action which the Corporation proposes to take with respect thereto.

Section 6.7 Application of Moneys Collected. Any amounts collected pursuant to action taken under this Article shall be applied in accordance with the provisions of Article VII of the Bond Indenture, and to the extent applied to the payment of amounts due on the Bonds shall be credited against amounts due on Obligation No. 1.

ARTICLE VII

MISCELLANEOUS

Section 7.1 Amendments and Modifications. This Loan Agreement may be amended, changed or modified only as provided in Section 6.08 of the Bond Indenture.

Section 7.2 Time of the Essence; Nonbusiness Days. Time shall be of the essence of this Loan Agreement. When any action is provided for herein to be done on a day named or within a specified time period, and the day or the last day of the period falls on a day which is not a Business Day, such action may be performed on the next ensuing Business Day with the same effect as though performed on the appointed day or within the specified period.

Section 7.3 Binding Effect. This instrument shall inure to the benefit of and shall be binding upon the City and the Corporation and their respective successors and assigns, subject to the limitations contained herein; provided, however, that the Bond Trustee shall have only such duties and obligations as are expressly given to it hereunder.

Section 7.4 Entire Agreement. This Loan Agreement, together with all agreements and documents incorporated by reference herein, constitutes the entire agreement of the parties and is not subject to modification, amendment, qualification or limitation except as expressly provided herein.

Section 7.5 Severability. If any covenant, agreement or provision, or any portion thereof contained in this Loan Agreement, where the application thereof to any Person or circumstance is held to be unconstitutional, invalid or unenforceable, the remainder of this Loan Agreement and the application of such covenant, agreement or provision, or portion thereof, to other Persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Loan Agreement shall remain valid, and the Bondholders shall retain all valid rights and benefits accorded to them under this Loan Agreement and the Constitution and laws of the State of California.

Section 7.6 Notices.

(a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given by mutually acceptable electronic means, receipt confirmed, or in writing, mailed by first-class mail, postage prepaid and addressed as follows:

If to the Corporation or the Obligated Group Representative:

Oroville Hospital
2767 Olive Highway
Oroville, CA 95966-6185
Attention: Executive Vice President/CFO

If to the City:

City of Oroville
1735 Montgomery Street
Oroville, California 95965
Attention: City Administrator

If to the Bond Trustee or Master Trustee:

_____
_____
_____
Attention: _____

Notwithstanding the foregoing provisions of this Section 7.6(a), the Bond Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Bond Trustee actually receives such notice.

(b) The Corporation, the City, the Bond Trustee, the Master Trustee or the Obligated Group Representative may at any time and from time to time by notice in writing to the other Persons listed in Section 7.6(a) designate a different address or addresses for notice under this Loan Agreement.

Section 7.7 Term. Except as otherwise provided herein this Loan Agreement shall remain in full force and effect from the date of execution hereof until no Bonds remain Outstanding under the Bond Indenture and all payments required hereunder have been made.

Section 7.8 Limited Liability. The Corporation and the City intend and agree that no organizations sponsored by the Corporation or with whom it is affiliated in any manner, other than any Member to the extent set forth in the Master Indenture and Obligation No. 1, have any involvement herein, financial or otherwise, or have any liability to fulfill any of the terms or conditions hereof.

Section 7.9 Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one instrument.

Section 7.10 Governing Law; Venue. This Loan Agreement shall be construed in accordance with and governed by the laws of the State of California applicable to contracts made and performed in the State of California. This Loan Agreement shall be enforceable in the State of California, and any action arising hereunder shall (unless waived by the City in writing) be filed and maintained in the Superior Court of California, County of Sacramento.

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IN WITNESS WHEREOF, the City and the Corporation have caused this Loan Agreement to be executed in their respective names as of the date first written above.

CITY OF OROVILLE

By _____
Name _____
Title _____

OROVILLE HOSPITAL

By _____
Name _____
Title _____

$[PAR AMOUNT]
CITY OF OROVILLE
Revenue Bonds
(Oroville Hospital)
Series 2018B

BOND PURCHASE AGREEMENT

_____, 2018

City of Oroville
1735 Montgomery Street
Oroville, California 95965

Ladies and Gentlemen:

The undersigned, Morgan Stanley & Co. LLC (the "Underwriter"), offers to enter into this Bond Purchase Agreement (this Bond Purchase Agreement, including the hereinafter defined Letter of Representation, being herein called the "Bond Purchase Agreement"), with the City of Oroville, California (the "City"). Upon acceptance hereof by the City and approval by the Corporation, this offer will be binding upon the City, the Corporation and the Underwriter. This offer is made subject to the City's acceptance on or before 11:59 p.m., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon written notice delivered to the City at any time prior to such acceptance. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Official Statement (as hereinafter defined).

The City and the Underwriter acknowledge and agree that: (i) the purchase and sale of the Bonds pursuant to the Bond Purchase Agreement is an arm's length, commercial transaction between the City and Underwriter, (ii) in connection with such transaction, the Underwriter is acting solely as a principal and is not acting as an agent, municipal advisor, financial advisor or fiduciary of the City; (iii) the Underwriter has not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and proceedings leading thereto (irrespective of whether the Underwriter provided other services or is currently providing other services to the Corporation or the City on other matters) or any other obligation to the Corporation or the City except the obligations expressly set forth in the Bond Purchase Agreement; (iv) the only contractual obligations the Underwriter has to the City with respect to the transactions contemplated hereby are those set forth in this Bond Purchase Agreement; (v) the Underwriter has financial and other interests that differ from those of the City; and (vi) the City has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate in connection with the transaction contemplated

herein. Nothing in the foregoing paragraph is intended to limit the Underwriter's obligations of fair dealing under MSRB Rule G-17.

1. Purchase, Sale and Delivery of the Bonds. (a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein and in the Letter of Representation, dated the date hereof, executed and delivered by the Corporation (the "Letter of Representation") and attached hereto as Exhibit A, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to sell to the Underwriter, all (but not less than all) of the $[PAR AMOUNT] aggregate principal amount of the City's Revenue Bonds (Oroville Hospital), Series 2018B (the "Bonds"). The Bonds shall be dated as of the date of delivery thereof, bearing interest and maturing on the dates and in the amounts set forth in Schedule 1 hereto. The aggregate purchase price of the Bonds shall be $_____ (representing the aggregate principal amount of the Bonds of $_____, plus/less [an][net] original issue premium/discount of $_____, less an Underwriter's discount of $_____.

The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided in the Bond Indenture, dated as of December 1, 2018 (the "Bond Indenture"), by and between the City and [BOND TRUSTEE], as bond trustee (the "Bond Trustee"). The Bonds shall be limited obligations of the City payable from payments made by the Corporation under the Loan Agreement, dated as of December 1, 2018 (the "Loan Agreement"), between the City and the Corporation, and from amounts held in certain funds established pursuant to the Bond Indenture, subject only to the provisions of the Bond Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Bond Indenture. The Bonds also shall be payable from payments on Obligation No. 1 (as defined below) by the Corporation, as the sole member of the Obligated Group (as defined below). The Bonds shall be further secured by an assignment of the right, title and interest of the City in the Loan Agreement and in Obligation No. 1 to the Bond Trustee, to the extent and as more particularly described in the Bond Indenture.

The Corporation, as Obligated Group Representative, shall execute and deliver to the Bond Trustee Oroville Hospital Obligation No. 1, dated December ___, 2018 ("Obligation No. 1"), issued under the Master Indenture of Trust, dated as of December 1, 2018 (as supplemented and amended from time to time, the "Master Indenture"), between the Corporation, as the sole member of the Obligated Group created pursuant to the Master Indenture (the "Obligated Group"), and [MASTER TRUSTEE], as master trustee (the "Master Trustee"), and the Related Supplement for Obligation No. 1, dated as of December 1, 2018 ("Supplement No. 1"), between the Corporation and the Master Trustee. Obligation No. 1 will evidence the obligation of the members of the Obligated Group with respect to the Corporation's payment obligation under the Loan Agreement. The obligation to make payments on Obligation No. 1 will constitute the joint and several obligation of the Obligated Group pursuant to the terms of the Master Indenture.

In addition, the Corporation will execute and deliver a [Deed of Trust], dated as of December 1, 2018 (the "Deed of Trust"), pursuant to which the Corporation will grant to [BOND TRUSTEE], for the benefit of the Master Trustee, for the benefit of the Holders of the Obligations, a first lien on and security interest in [the real property where the Project is located], subject to Permitted Liens, as security for, among other things, the Corporation's obligations under the Master Indenture, including its obligations to make payments on Obligation No. 1.

The proceeds of the Bonds will used to [(a) finance and refinance the acquisition, construction, improvement, renovation and/or equipping of certain health care facilities (the "Project") owned and operated by the Corporation, [including capitalized interest], (b) fund a debt service reserve fund, and (c) pay costs incurred in connection with the issuance of the Bonds.][refund the Series 2018A Bonds]

The Corporation will undertake, pursuant to the Loan Agreement and a Continuing Disclosure Agreement, to be dated the Closing Date (the "Continuing Disclosure Agreement"), between the Corporation, as Obligated Group Representative and [DISSEMINATION AGENT] as dissemination agent (the "Dissemination Agent"), to provide annual and quarterly reports and notices of certain events relating to the Bonds. A description of this undertaking is set forth in the Preliminary Official Statement and the Official Statement (both terms as defined below).

(b) The City hereby ratifies, confirms and approves of the distribution by the Underwriter prior to the date hereof of the preliminary official statement relating to the Bonds, dated _____, 2018 (including the cover page and all appendices thereto, the "Preliminary Official Statement"), which the City has deemed final for purposes of Rule 15c2-12 ("Rule 15c2-12") promulgated under the Securities Exchange Act of 1934, as amended (the "1934 Act"), except for any information permitted to be omitted therefrom by Rule 15c2-12; provided, however, that the foregoing representation as to the finality of such form of official statement only includes a representation as to the finality of the statements and information contained therein under the captions "THE CITY" and "MATERIAL LITIGATION—The City." The City has delivered or caused to be delivered to the Underwriter, promptly after acceptance hereof, a form of the official statement related to the Bonds, marked to show changes from the Preliminary Official Statement. Within seven business days of the date hereof (and in any event, in sufficient time to accompany any customer confirmations requesting payment) and no later than two days prior to the date of Closing, the City and the Corporation will deliver or cause to be delivered to the Underwriter, copies of the final official statement, dated the date hereof, relating to the Bonds (including all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements as have been approved by the City and the Underwriter) (the "Official Statement"), signed on behalf of the City by its City Manager or other authorized officer and on behalf of the Corporation by its [Chief Executive Officer] or such other officer as is acceptable to the Underwriter, in such quantity as the Underwriter shall request in order to permit the Underwriter to comply with Rule 15c2-12. The City hereby authorizes the Underwriter to distribute the Official Statement in connection with the offer and sale of the Bonds.

(c) At 8:00 A.M., California time, on December ___, 2018, or at such earlier or later time or date as shall be agreed by the City, the Corporation and the Underwriter (such time and date being herein referred to as the "Closing Date"), the City will cause the Bonds to be delivered through the book-entry system to The Depository Trust Company ("DTC"), for the account of the Underwriter, in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities and interest rates of the Bonds (all of the Bonds to bear CUSIP numbers), duly executed by the City and authenticated by the Bond Trustee, and will deliver the other documents herein mentioned to Quint & Thimmig LLP ("Bond Counsel") in Larkspur, California; and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in paragraph (a) of this Section by wire transfer (such delivery and payment being herein referred to as the "Closing"). Notwithstanding the foregoing, neither the failure to print CUSIP numbers

on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Bonds on the Closing Date in accordance with the terms of this Bond Purchase Agreement. Upon initial issuance, the ownership of such Bonds shall be registered in the registration books kept by the Bond Trustee in the name of Cede & Co., as the nominee of DTC.

2. Representations and Agreements of the City. The City represents to and agrees with the Underwriter and the Corporation that:

(a) The City is a municipal corporation and chartered city duly organized and existing under its charter and the laws of the State of California (the "State") and has full power and authority to adopt its Resolution No. _____ (the "Resolution"); to issue the Bonds; to enter into and to perform its obligations under the Bond Indenture, the Loan Agreement and this Bond Purchase Agreement (collectively, the "City Documents"); to sell and deliver the Bonds to the Underwriter as provided herein; and to carry out and consummate all other transactions contemplated by each of the aforesaid documents to be carried out or consummated by the City.

(b) The City has duly authorized, by all appropriate action, and complied with all provisions of law with respect to the City's execution and delivery of the City Documents and the City's issuance, sale, execution and delivery of the Bonds, required to make the City Documents, when executed and delivered by the respective parties thereto, the legal, valid and binding obligations of the City enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights generally or affecting remedies against agencies such as the City, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases.

(c) By official action of the City prior to or concurrently with the acceptance hereof, the City has authorized and approved the execution and delivery of the City Documents and the consummation by the City of the transactions contemplated thereby.

(d) The execution and delivery of the Bonds and the City Documents, and compliance with the provisions thereof, do not and will not conflict with or constitute on the part of the City a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or instrument to which the City is a party or by which the City is bound, which breach or default would materially and adversely affect the transactions contemplated hereby or which, in any way, would materially and adversely affect the validity of the Bonds or the City Documents; nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the City Documents; and all consents of any governmental authority of the State or of the United States of America required in connection with the issuance or sale of the Bonds by the City have been or will in due time be obtained; provided, however, that no representation is made concerning compliance with the federal securities laws or the securities or "Blue Sky" laws of the various states.

(e) There is no action, suit or proceeding pending before any court with respect to which service of process on the City has been completed, nor, to the knowledge of the officers of the City any inquiry or investigation before or by any governmental agency or body pending or any action, suit or proceeding, inquiry or investigation threatened against the City, (1) challenging the creation, organization or existence of the City, (2) seeking to restrain or enjoin the sale, issuance or delivery of the Bonds or the execution and delivery of the City Documents or the collection of revenues or other moneys pledged or to be pledged to pay the principal of and interest on the Bonds, (3) contesting the validity of the Bonds or the Bond Indenture or the collection of revenues or other moneys or the pledge thereof, or contesting the validity of the Loan Agreement or this Bond Purchase Agreement, or (4) contesting the validity or enforceability of the City Documents or the powers of the City to issue the Bonds or to enter into or execute and deliver the City Documents.

(f) The City will not take or omit to take any action it is obligated to take under the Bond Indenture which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided for in the Bond Indenture.

(g) The City has reviewed the statements contained in the Official Statement relating to the City under the caption "THE CITY OF OROVILLE" and "MATERIAL LITIGATION—The City" and such statements, insofar as they are within the knowledge of the officers of the City, are true and correct and accurately summarize the matters encompassed thereby to the extent such matters are described therein. If between the date of this Bond Purchase Agreement and the Closing Date any event shall occur which, in the opinion of the City, might or would cause the statements contained in the Official Statement relating to the City under the caption "THE CITY OF OROVILLE" and "MATERIAL LITIGATION—The City" to contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter, and if in the opinion of the City or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City, at the expense of the Corporation, will supplement or amend the Official Statement in a form and in a manner approved by the Underwriter.

(h) The execution and delivery of this Bond Purchase Agreement by the City shall constitute a representation by the City to the Underwriter that the representations and agreements contained in this Section are true as of the date hereof; provided, however, that as to information furnished by the Corporation pursuant to this Bond Purchase Agreement or otherwise, the City is relying solely on such information in making the City's representations and agreements, and as to all matters of law the City is relying on the advice of Bond Counsel or other counsel to the City; and provided further, that no member, officer, agent or employee of the governing body of the City shall be individually liable for the breach of any representation, warranty or agreement contained herein.

(i) If, between the date of this Bond Purchase Agreement and 25 days after the end of the underwriting period (as such term is defined in Rule 15c2-12), (i) an event occurs of which the City has knowledge, which might or would cause the information contained in the Official Statement under the captions "THE CITY OF OROVILLE" or "MATERIAL LITIGATION–The City," as then supplemented or amended, to contain any untrue statement of a material fact or to

omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading or, (ii) if the City is notified by the Corporation pursuant to the provisions of the Letter of Representation or otherwise requested to amend, supplement or otherwise change the Official Statement, the City will notify the Underwriter and the Corporation, and if in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will cooperate with the Corporation and the Underwriter to amend or supplement the Official Statement in a form and in a manner approved by the Underwriter and [counsel to the City], provided that all expenses thereby incurred will be paid by the Corporation and provided further that, for purposes of this provision, the end of the underwriting period shall be the Closing Date unless the Underwriter on or prior to Closing provides written notice to the contrary to the City and the Corporation.

(j) For 25 days from the end of the underwriting period (as defined in Rule 15c2-12), (a) the City will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter or the Corporation shall reasonably object in writing or which shall be disapproved by their respective counsel and (b) if any event relating to or affecting the City shall occur as a result of which it is necessary, in the opinion of Disclosure Counsel (as defined herein) and counsel for the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the City will cooperate with the Corporation and the Underwriter to prepare and furnish to the Underwriter and the Corporation (at the expense of the Corporation) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriter and counsel for the City) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. For purposes of this subsection, the City will furnish such information with respect to itself as the Underwriter may from time to time reasonably request.

(k) The City covenants with the Underwriter to cooperate with it and the Corporation in qualifying the Bonds for offer and sale under the securities or "Blue Sky" laws of such states as the Underwriter may request; provided that in no event shall the City be obligated to take any action which would subject it to service of process in any State where it is not now so subject. It is understood that the City is not responsible for compliance with or the consequences of failure to comply with applicable "Blue Sky" laws.

3. Conditions to the Obligation of the Underwriter. The obligation of the Underwriter to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriter, (i) to the accuracy in all material respects of the representations and agreements on the part of the City contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the City made in any certificates or other documents furnished pursuant to the provisions hereof, and to the performance by the City of its obligations to be performed hereunder at or prior to the Closing Date, (ii) to the accuracy in all material respects of the representations, warranties and agreements on the part of the Corporation contained in the Letter of Representation as of the date hereof and

as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the Corporation made in any certificates or other documents furnished pursuant to the provisions hereof or in the Letter of Representation, or to the performance by the Corporation of its obligations to be performed hereunder and at or prior to the Closing Date and (iii) to the following additional conditions:

(a) Prior to or simultaneously with the execution of this Bond Purchase Agreement, the Underwriter shall have received from the Corporation the Letter of Representation, dated the date of this Bond Purchase Agreement, addressed to the Underwriter and the City, in the form attached hereto as Exhibit A.

(b) The Underwriter shall have received from Armanino LLP, (i) on or prior to the date hereof, an executed copy of its letter, dated the date of this Bond Purchase Agreement, with work extending to a date not more than five (5) business days prior to the date hereof, addressed to the Corporation and the Underwriter, substantially in the form of Exhibit E hereto (the "Procedures Letter"), and (ii) on or prior to the respective dates of printing thereof, its consent to the inclusion of its audit report on the consolidated financial statements of the Corporation and its affiliates that are included in the Preliminary Official Statement and the Official Statement.

(c) At the Closing Date, the Bond Indenture, the Loan Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Deed of Trust, the Continuing Disclosure Agreement, the Letter of Representation, the [Tax Certificate, dated December __, 2018 (the "Tax Certificate"), between the City and the Corporation], [the Account Control Agreement?] and the Official Statement shall have been duly authorized, executed and delivered by the respective parties thereto in substantially the forms heretofore submitted to the Underwriter with only such changes as shall have been agreed to in writing by the Underwriter, and said agreements shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and there shall have been taken in connection therewith, with the issuance of the Bonds and with the transactions contemplated thereby and by this Bond Purchase Agreement, all such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate.

(d) At the Closing Date, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriter, and there shall not have occurred any change in the condition, financial or otherwise, or in the earnings or operations of the Corporation, from that set forth in the Official Statement that, in the reasonable judgment of the Underwriter, materially and adversely affects the market price or marketability of the Bonds at the initial offering prices set forth in the Official Statement.

(e) Between the date hereof and the Closing Date, the market price or marketability of the Bonds at the initial offering prices set forth in the Official Statement shall not have been materially adversely affected, in the reasonable judgment of the Underwriter (evidenced by a written notice to the City terminating the obligation of the Underwriter to accept delivery of and pay for the Bonds), by reason of any of the following:

(i) an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of this Bond Purchase Agreement in the Congress or endorsement

for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for the staff of either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court or any ruling or regulation (final, temporary or proposed) of the United States Treasury Department, the Internal Revenue Service or other federal or state authority affecting the federal or state tax status of the Corporation, or the interest on bonds or notes (including the Bonds);

(ii) legislation enacted or introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), or that the Bond Indenture or the Master Indenture are not exempt from qualification under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act");

(iii) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war or the occurrence of any other national emergency or calamity or crisis relating to the effective operation of the government of or the financial markets in the United States;

(iv) a material disruption in securities settlement, payment or clearance services in the United States shall have occurred;

(v) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(vi) the imposition by the New York Stock Exchange, other national securities exchange or any governmental authority of any material restrictions not now in force with respect to the Bonds, or obligations of the general character of the Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by or the change to the net capital requirements of underwriters;

(vii) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the Securities and Exchange Commission,

or any other governmental agency having jurisdiction of the subject matter issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws, as amended and then in effect;

(viii) the withdrawal, suspension or downgrading or negative qualification (e.g. "credit watch" or "negative outlook") of any rating of the Bonds or the failure to rate the Bonds by a national rating agency requested to rate the Bonds;

(ix) any event occurring or information becoming known that, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or

(x) any event occurs that requires, pursuant to Section [18] of the Letter of Representation, a supplement or amendment to the Official Statement.

(f) At or prior to the Closing, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter:

(i) The unqualified approving opinion of Bond Counsel, relating to the Bonds, dated the Closing Date, in the form set forth as Appendix [E] to the Official Statement, together with a letter or letters of Bond Counsel, dated the Closing Date and addressed to the Underwriter and the Bond Trustee stating that the Underwriter and the Bond Trustee may rely on such opinion.

(ii) The supplemental opinion of Bond Counsel dated the Closing Date and addressed to the Underwriter and the City, to the effect that:

(A) this Bond Purchase Agreement has been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the Underwriter and approval by the Corporation, is a valid and binding agreement of the City, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles;

(B) the statements contained in the Official Statement in the sections thereof entitled: ["THE BONDS," "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS," and "TAX MATTERS"] and [Appendix C – "SUMMARY OF PRINCIPAL DOCUMENTS," Appendix E – "PROPOSED FORM OF OPINION OF BOND COUNSEL" [and Appendix G – "SUMMARY OF [DEED OF TRUST]"] insofar as such statements purport to summarize certain provisions of the Bonds, the Loan Agreement, the Bond Indenture, the Master Indenture, Supplement No. 1, Obligation No. 1, the Deed of Trust and Bond Counsel's opinion

concerning certain tax matters relating to the Bonds are accurate in all material respects;

(C) Based on the information made available to the such counsel in its role as Bond Counsel, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to its attention which would lead it to believe that the Official Statement as of its date and as of the Closing Date (excluding information relating to the City, the Depository Trust Company and its book entry system) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and

(D) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the Bond Indenture is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

(iii) The opinion of Nixon Peabody LLP, counsel to the Corporation, dated the Closing Date and in substantially the form set forth in Exhibit B hereto.

(iv) The opinion of Orrick Herrington & Sutcliffe LLP, as disclosure counsel ("Disclosure Counsel"), addressed to the City and the Underwriter, to the effect that [the Bonds are not subject to the registration requirements of the Securities Act, and to the effect that, based upon its participation in the preparation of the Official Statement as disclosure counsel and without having undertaken to determine independently the fairness, accuracy or completeness of the statements contained in the Official Statement, such counsel has no reason to believe that, as of the Closing Date, the Official Statement (excluding therefrom the reports, financial and statistical data and forecasts therein, the information with respect to DTC and the book-entry system, as to which no opinion need be expressed) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.]

(v) The opinion of Norton Rose Fulbright US LLP, counsel to the Underwriter, dated the Closing Date and addressed to the Underwriter, that [(i) the Bonds are exempt from registration under the Securities Act and the Bond Indenture is exempt from qualification under the Trust Indenture Act; (ii) assuming the enforceability of the Continuing Disclosure Agreement between the Corporation and the Dissemination Agent, the continuing disclosure undertaking contained in the Continuing Disclosure Agreement satisfies the requirements contained in paragraph (b)(5) of Rule 15c2-12; and (iii) based upon information made available to such counsel in the course of such counsel's participation in the transaction as counsel to the Underwriter and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, no facts came to such counsel's attention that would cause them to believe that the Official

Statement as of its date and of the Closing Date (except for any financial statements, the statistical data and the information regarding DTC, the book-entry system, tax matters and the information contained in Appendices [B, C, E, F, G and H] included in the Official Statement, as to which no opinion or view need be expressed), as of the date thereof or the Closing Date, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.]

(vi) The opinion of the City Attorney, dated the Closing Date, addressed to the City, in substantially the form set forth in Exhibit C hereto.

(vii) A certificate dated the Closing Date of the Mayor, City Manager or Finance Director of the City, or the designee of any of them, to the effect that as of such date, (A) no litigation is pending (with respect to which service of process on the City has been completed) or, to his or her knowledge, threatened against the City in any court (1) challenging the creation, organization or existence of the City, (2) seeking to restrain or enjoin the issuance or delivery of any of the Bonds, or the collection of Revenues or other moneys pledged or to be pledged to pay the principal of and interest on the Bonds, or contesting the validity of the Bonds or the Bond Indenture or the collection of Revenues or other moneys pledged under the Bond Indenture, or contesting the powers of the City to issue the Bonds or to enter into the Bond Indenture, (3) contesting the validity of the Loan Agreement, the Bond Indenture, the Tax Certificate or this Bond Purchase Agreement, or the powers of the City to enter into or to execute and deliver the Loan Agreement, the Bond Indenture, the Tax Certificate or this Bond Purchase Agreement; (B) the representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date; and (C) to his or her knowledge, no event affecting the City has occurred since the date of the Official Statement which has not been disclosed therein or by supplement or amendment thereto and which it is necessary to disclose therein in order to make the statements and information under the headings "THE CITY OF OROVILLE" and "MATERIAL LITIGATION—The City," in light of the circumstances under which they were made, not misleading in any material respect.

(viii) A certificate of an authorized officer of the Corporation, as Obligated Group Representative, dated the Closing Date, to the effect that:

(A) since November 30, 2017, no material and adverse change has occurred in the financial position or results of operations of the Corporation that is not described in the Official Statement;

(B) the Corporation has not, since November 30, 2017, incurred any material liabilities other than in the ordinary course of business, which is not described in the Official Statement;

(C) other than as described in the Official Statement, no litigation is pending or, to the knowledge of the Corporation, threatened against the Corporation (a) to restrain or enjoin the issuance or delivery of any of the Bonds by the City or

the collection of Revenues pledged under the Bond Indenture, (b) in any way contesting or affecting the authority for the issuance of the Bonds or the validity of the Bonds, the Bond Indenture, the Loan Agreement, the Tax Certificate, the Continuing Disclosure Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Deed of Trust, this Bond Purchase Agreement or the Letter of Representation, or (c) in any way contesting the corporate existence or powers of the Corporation;

(D) other than as described in the Official Statement, no proceedings are pending or, to the knowledge of the Corporation, threatened that in any way contest or affect the status of the Corporation as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), which is not a private foundation as described in Section 509(a) of the Code or that would subject any income of the Corporation to federal income taxation, except for unrelated business income subject to taxation under Section 511 of the Code;

(E) no event affecting the Corporation has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect; and

(F) the representations and warranties made by the Corporation in the Loan Agreement and in the Letter of Representation are true and correct as of the Closing Date, provided that, as to the representations contained in the Letter of Representation, references to "the date hereof" shall be deemed to be to the Closing Date.

(ix) Copies of the Resolution of the City Council of the City authorizing the issuance, sale and delivery of the Bonds, the use of the Official Statement and authorizing or approving, as applicable, the execution and delivery of the Bond Indenture, the Loan Agreement and the Bond Purchase Agreement, certified by the Secretary of the City as having been duly adopted and being in full force and effect.

(x) Copies of the resolutions or other documents of the Corporation authorizing the execution and delivery by the Corporation of the Loan Agreement, the Continuing Disclosure Agreement, the Tax Certificate, the Master Indenture, Supplement No. 1, Obligation No. 1, the Deed of Trust and the Letter of Representation and any other document and certificate in connection with the issuance of the Bonds and approving this Bond Purchase Agreement, the Preliminary Official Statement (and distribution thereof) and the Official Statement (and distribution thereof), certified by the Secretary or an Assistant Secretary of the Corporation as having been duly adopted and being in full force and effect.

(xi) Copies of the Corporation's articles of incorporation and a certificate of status of recent date, each certified as of a recent date by the Secretary of State of the State

and a good standing certificate of recent date certified by the Franchise Tax Board of the State; and certified copies of the Corporation's bylaws.

(xii) Evidence from the Internal Revenue Service that the Corporation has been determined to be an organization described under Section 501(c)(3) of the Code, and is not a private foundation as described in Section 509(a) of the Code.

(xiii) [Tax Certificate][A no arbitrage certificate of a duly authorized officer of the City satisfactory to the Underwriter, dated the Closing Date, stating that such officer is charged, either alone or with others, with responsibilities related to the issuance and delivery of the Bonds; setting forth, in the manner permitted by the Treasury Regulations and the Code, the reasonable expectations of the City as of such date as to the use of proceeds of the Bonds and of any other funds of the City pledged or expected to be used to pay principal or purchase price of, premium, if any, or interest on the Bonds and the facts and estimates on which such expectations are based; and stating that, to the best of the knowledge and belief of the certifying official (based solely upon representations of the Corporation), the City's expectations are reasonable, which certification may be made in reliance upon a similar certification, dated the Closing Date, furnished to such person for such purpose by a duly authorized officer or attorneys-in-fact of the Corporation satisfactory to the Underwriter and the City.]

(xiv) Evidence satisfactory to the Underwriter that Form 8038 with respect to the Bonds will be timely filed with the Internal Revenue Service as required by Section 149(e) of the Code.

(xv) A certificate, dated the Closing Date, signed by an authorized officer of the Bond Trustee and the Master Trustee, in form and substance acceptable to the City, Bond Counsel and the Underwriter.

(xvi) An opinion of counsel to the Bond Trustee and Master Trustee, dated the Closing Date and addressed to the City, the Underwriter and the Corporation, in a form acceptable to the City, the Underwriter and the Corporation.

(xvii) Two copies of the Official Statement executed on behalf of the City or other authorized officer and executed on behalf of the Corporation by its [Chief Executive Officer] or other authorized officer of the Corporation.

(xviii) Evidence of the ratings of the Bonds of "___" and "___" by S&P Global Ratings and Fitch Ratings, respectively.

(xix) A copy of the Preliminary Blue Sky Survey, dated the date of the Preliminary Official Statement.

(xx) A letter of Armanino LLP, dated the Closing Date, with procedures performed no more than five (5) business days prior to the Closing Date, bringing down the Procedures Letter.

(xxi) An executed copy of the Independent Accountant's Report dated _____, 2018 (the "Feasibility Report") from WIPFLi LLP and its consent to the inclusion of the Feasibility Report in Appendix [G] of the Preliminary Official Statement and the Official Statement on or prior to the respective dates of printing thereof.

(xxii) A certificate of the Obligated Group Representative as required by the Master Indenture for the issuance of Obligation No. 1.

(xxiii) A copy of the City's executed Blanket Letter of Representation to The Depository Trust Company.

(xxiv) Such Uniform Commercial Code financing statements and fixture filings, completed and executed for filing as the Underwriter may reasonably request.

(xxv) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter, the City or Bond Counsel reasonably may deem necessary to evidence compliance by the City and the Corporation with legal requirements, the truth and accuracy as of the Closing Date of the representations of the City contained herein and the Corporation contained in the Letter of Representation and the due performance or satisfaction by the City and the Corporation at or prior to the requisite time of all agreements then to be performed and all conditions then to be satisfied by the City and the Corporation.

If the conditions contained in this Bond Purchase Agreement are not satisfied, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and none of the Underwriter or the City shall be under further obligation hereunder, except as set forth in Section 6.

4. Conditions to the Obligations of the City. The obligations of the City to issue and deliver the Bonds on the Closing Date shall be subject, at the option of the City, to the performance by the Underwriter of its obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

(a) the Bond Indenture, the Loan Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Deed of Trust, the Tax Certificate, the Continuing Disclosure Agreement, the Letter of Representation and this Bond Purchase Agreement, respectively, shall have been executed by the respective parties thereto;

(b) no order, decree, injunction, ruling or regulation of any court, regulatory agency, public board or body shall have been issued, nor shall any legislation have been enacted, with the purpose or effect, directly or indirectly, of prohibiting the offering, sale or issuance of the Bonds as contemplated hereby; and

(c) the documents contemplated by Section 3(f) to be delivered or addressed to the City shall have been delivered to the City substantially in the forms set forth herein or in form and substance satisfactory to Bond Counsel, counsel to the Underwriter and counsel to the City.

5. Establishment of Issue Price.

(a) The Underwriter agrees to assist the City and the Corporation in establishing the issue price of the Bonds and shall execute and deliver to the City and the Corporation at Closing an "issue price" or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit D, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the City, the Corporation and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

(b) With respect to Bonds of those maturities as to which at least 10% of the Bonds of the maturity has been sold to the public at a single price (the "10% test"), based on reporting by the Underwriter to the City and the Corporation on the date hereof and prior to the execution of this Bond Purchase Agreement, which maturities are indicated in Schedule 1 attached hereto, the City and the Corporation will treat the first price at which 10% of each such maturity of the Bonds was sold to the public as the issue price of that maturity. For Bonds maturing on the same date but having different interest rates, each separate CUSIP number for such Bonds is subject to the 10% test as if it were a separate maturity. With respect to Bonds of those maturities as to which the 10% test has not been satisfied, based on reporting by the Underwriter to the City and the Corporation on the date hereof and prior to the execution of this Bond Purchase Agreement, which maturities are indicated in Schedule 1 attached hereto, the Underwriter and the City agree (and the Corporation will agree pursuant to Section 28 of the Letter of Representation) that the rules in subsection (c) below shall apply.

(c) The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Bond Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Schedule 1 attached hereto, except as otherwise set forth therein. Schedule 1 also sets forth, as of the date of this Bond Purchase Agreement, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the City and the Underwriter agree (and the Corporation will agree pursuant to Section 29 of the Letter of Representation) that the restrictions set forth in the next sentence shall apply, which will allow the City and the Corporation to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at prices that are no higher than the initial offering price to the public.

The Underwriter shall promptly advise the City and the Corporation when it has sold 10% of that maturity of the Bonds to the public at prices that are no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(d) The Underwriter confirms that any selling group agreement and any retail or other third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter. The City acknowledges (and the Corporation will acknowledge pursuant to Section 29 of the Letter of Representation) that, in making the representation set forth in this subsection, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a retail or other third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail or other third-party distribution agreement and the related pricing wires.

(e) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date of execution of this Bond Purchase Agreement by all parties.

6. Expenses. All reasonable expenses and costs incurred in connection with the authorization, issuance and sale of the Bonds to the Underwriter, including printing costs, CUSIP Service Bureau fees, fees and expenses of consultants, fees and expenses of rating agencies, reasonable fees and expenses of Bond Counsel, of Disclosure Counsel, of counsel for the Underwriter and of counsel for the Corporation, reasonable fees and expenses of the Underwriter, Disclosure Counsel and counsel for the Underwriter in connection with qualification of the Bonds for sale under the Blue Sky or other securities laws and regulations of various jurisdictions, preparation and printing of a blue sky survey, preparation of the Preliminary Official Statement and the Official Statement, and all fees and expenses of the Bond Trustee and the Master Trustee shall be paid by the Corporation. All reasonable expenses and costs of the City incident to the performance of its obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriter, including any out-of-pocket disbursements of the City shall be paid by the Corporation. All fees and expenses to be paid by the Corporation pursuant to this Bond Purchase Agreement may be paid (i) from Bond proceeds to the extent permitted by the Bond Indenture and the Tax Certificate or (ii) from an equity contribution made by the Corporation. All out-of-pocket expenses of the Underwriters (except as provided above), including travel and other expenses, shall be paid by the Underwriter.

7. Notices. Any notice or other communication to be given under this Bond Purchase Agreement may be given by delivering the same in writing to the addressee at its address set forth below or such different address as may be provided by written notice to the parties below by any other party:

If to the City: City of Oroville, California
Oroville City Hall
1735 Montgomery Street
Oroville, California 95965
Attention: [City Manager]

If to the Corporation: Oroville Hospital
2767 Olive Highway
Oroville, California 95966-6185
Attention: Chief Executive Officer

If to the Underwriter: Morgan Stanley & Co. LLC
555 California Street, 21st Floor
San Francisco, California 94104
Attention: John Q. Landers, Jr.

All notices or communications hereunder by any party shall be given and served upon all other parties.

8. Amendment. This Bond Purchase Agreement may not be amended without the written consent of the City, the Underwriter and the Corporation.

9. Limitation of Liability of City. The City shall not be directly, indirectly, contingently or otherwise liable for any costs, expenses, losses, damages, claims or actions of any

conceivable kind under any conceivable theory under this Bond Purchase Agreement or any document or instrument referred to herein or by reason of or in connection with this Bond Purchase Agreement or other document or instrument except to the extent it receives amounts from the Corporation available for such purpose.

10. Governing Law. The validity, interpretation and performance of this Bond Purchase Agreement shall be governed by the laws of the State. Any and all disputes or legal actions or proceedings arising out of, under and/or pertaining hereto shall be brought in Superior Court of the County of Alameda, unless otherwise waived by the City, and, by execution and delivery of this Bond Purchase Agreement, the parties hereto consent to and hereby accept for themselves and in respect of their property, generally and unconditionally, the jurisdiction of the aforesaid courts. To the extent permitted by law, the parties hereto hereby irrevocably waive any objection, including, without limitation, any objection to the laying of venue or based on the grounds of *forum non conveniens*, which they may now or hereafter have, to the bringing of any such action or proceeding in such respective jurisdictions.

11. Miscellaneous. This Bond Purchase Agreement is made solely for the benefit of the City, the Corporation and the Underwriter (including the successors or assigns of the Underwriter) and no other persons, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. This Bond Purchase Agreement may be executed in any number of counterparts, and will become a binding agreement between the City and the Underwriter when at least one counterpart of this Bond Purchase Agreement shall have been signed on behalf of each of the parties hereto.

[Remainder of Page Intentionally Left Blank]

MORGAN STANLEY & CO. LLC, as Underwriter

By _____
Authorized Representative

CITY OF OROVILLE

By _____
Authorized Signatory

Agreed to and approved:

OROVILLE HOSPITAL

By _____
Authorized Signatory

SCHEDULE 1

MATURITY SCHEDULE

$[PAR AMOUNT]
CITY OF OROVILLE
REVENUE BONDS
(OROVILLE HOSPITAL)
Series 2018B

Maturity (April 1)	Principal Amount	Interest Rate	Yield	Price

$_____ ____% Term Bonds due April 1, 20__; Price _____%; Yield ____%
$_____ ____% Term Bonds due April 1, 20__; Price _____%; Yield ____%

[A] Represents a Maturity which satisfies the 10% test.
[H] Represents a Hold-the-Price Maturity.
[C] Priced to call at par on the optional redemption date of _____, 20__.

EXHIBIT A

LETTER OF REPRESENTATION

_____, 2018

City of Oroville
1735 Montgomery Street
Oroville, California 95965

Morgan Stanley & Co. LLC
555 California Street, 21st Floor
San Francisco, California 94104

Ladies and Gentlemen:

Pursuant to a Bond Purchase Agreement dated the date hereof (the "Bond Purchase Agreement") between Morgan Stanley & Co. LLC, as underwriter (the "Underwriter"), and the City of Oroville, California (the "City"), which the undersigned (the "Corporation") has approved, the City proposes to sell $[PAR AMOUNT] aggregate principal amount of the City's Revenue Bonds (Oroville Hospital), Series 2018B (the "Bonds"). The offering of the Bonds is described in a Preliminary Official Statement dated _____, 2018 (the "Preliminary Official Statement") and in an Official Statement, dated _____, 2018 (the "Official Statement"). Terms used but not defined herein shall have the meanings set forth in the Bond Purchase Agreement.

The Bonds shall be issued and secured under the provisions of the Bond Indenture, dated as of December 1, 2018 (the "Bond Indenture"), by and between the City and [BOND TRUSTEE], as bond trustee (the "Bond Trustee"). The Bonds shall be payable from payments made by the Corporation under the Loan Agreement, dated as of December 1, 2018 (the "Loan Agreement"), between the City and the Corporation, and from amounts held in certain funds established pursuant to the Bond Indenture. The Bonds also are payable from payments on Obligation No. 1 (as defined below) by the Corporation, as the sole member of the Obligated Group (as defined below). The Bonds shall be further secured by an assignment of the right, title and interest of the City in the Loan Agreement and in Obligation No. 1 to the Bond Trustee, to the extent and as more particularly described in the Bond Indenture.

The Corporation, as Obligated Group Representative, shall execute and deliver to the Bond Trustee Oroville Hospital Obligation No. 1, dated December ___, 2018 ("Obligation No. 1"), issued under the Master Indenture of Trust, dated as of December 1, 2018 (as supplemented and amended from time to time, the "Master Indenture"), between the Corporation, as the sole member of the Obligated Group created pursuant to the Master Indenture (the "Obligated Group"), and [MASTER TRUSTEE], as master trustee (the "Master Trustee"), and the Related Supplement for Obligation No. 1, dated as of December 1, 2018 ("Supplement No. 1"), between the Corporation and the Master Trustee. Obligation No. 1 will evidence the obligation of the members of the

Obligated Group with respect to the Corporation's payment obligation under the Loan Agreement. The obligation to make payments on Obligation No. 1 will constitute the joint and several obligation of the Obligated Group pursuant to the terms of the Master Indenture.

In addition, the Corporation will execute and deliver a [Deed of Trust], dated as of December 1, 2018 (the "Deed of Trust"), pursuant to which the Corporation will grant to [BOND TRUSTEE], for the benefit of the Master Trustee, for the benefit of the Holders of the Obligations, a first lien on and security interest in [the real property where the Project is located], subject to Permitted Liens, as security for, among other things, the Corporation's obligations under the Master Indenture, including its obligations to make payments on Obligation No. 1.

The Corporation will undertake, pursuant to the Loan Agreement and a Continuing Disclosure Agreement, to be dated the Closing Date (the "Continuing Disclosure Agreement"), between the Corporation, as Obligated Group Representative [and] as dissemination agent (the "Dissemination Agent"), to provide annual and quarterly reports and notices of certain events relating to the Bonds. A description of this undertaking is set forth in the Preliminary Official Statement and the Official Statement (both terms as defined below).

The Corporation will enter into a continuing disclosure undertaking and, unless otherwise described in the Official Statement, the Corporation has not failed during the previous five years to comply in all material respects with any previous undertakings in a written continuing disclosure contract or agreement under SEC Rule 15c2-12.

The Preliminary Official Statement was deemed final as of its date for purposes of Rule 15c2-12 ("Rule 15c2-12") promulgated under the Securities Exchange Act of 1934, as amended (the "1934 Act"), except for the information not required to be included therein under Rule 15c2-12.

In order to induce you to enter into the Bond Purchase Agreement and to make the sale and purchase and offering of the Bonds therein contemplated, the Corporation hereby represents, warrants and agrees with each of you as follows:

1. The Corporation is a nonprofit public benefit corporation duly organized and validly existing under the laws of the State of California, has full legal right, power and authority to enter into this Letter of Representation, to approve the Bond Purchase Agreement, the Bond Indenture, the Preliminary Official Statement and the Official Statement, and at the Closing Date, will have full legal right, power and authority to enter into the Master Indenture, Supplement No. 1, Obligation No. 1, the Deed of Trust, the Loan Agreement, the Tax Certificate and the Continuing Disclosure Agreement [Account Control Agreement?], to carry out and consummate all transactions contemplated by this Letter of Representation, the Master Indenture, Supplement No. 1, Obligation No. 1, the Deed of Trust, the Loan Agreement, the Tax Certificate, the Continuing Disclosure Agreement, the Preliminary Official Statement, the Official Statement, the Bond Indenture and the Bond Purchase Agreement and by proper corporate action has duly authorized the execution and delivery by the Corporation of this Letter of Representation, the Loan Agreement, the Continuing Disclosure Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Deed of Trust and the Tax Certificate and the approval of the Bond Indenture, the Bond Purchase Agreement, the Preliminary Official Statement and the Official Statement.

2. The authorized representative of the Corporation executing this Letter of Representation, the Loan Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Deed of Trust, the Tax Certificate and the Continuing Disclosure Agreement, and approving the Bond Indenture, the Bond Purchase Agreement, the Preliminary Official Statement and the Official Statement, is duly and properly in office and fully authorized to execute and approve the same.

3. The Bond Indenture, the Bond Purchase Agreement, the Preliminary Official Statement (including the distribution thereof by the Underwriter) and the Official Statement (including the distribution thereof by the Underwriter) have been duly approved by, and this Letter of Representation has been duly authorized, executed and delivered by the Corporation; and the Loan Agreement, the Tax Certificate, the Master Indenture, Supplement No. 1, Obligation No. 1, the Deed of Trust and the Continuing Disclosure Agreement have been duly authorized and will be at the Closing duly executed and delivered by the Corporation. The Loan Agreement and Obligation No. 1, when assigned to the Bond Trustee pursuant to the Bond Indenture, will constitute the legal, valid and binding obligations of the Corporation to the Bond Trustee enforceable against the Corporation in accordance with their respective terms for the benefit of the owners of the Bonds; except as enforcement of each of the above mentioned documents may be limited by bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance laws, laws affecting the enforcement of creditors' rights, the application of equitable principles and judicial discretion, and by the covenant of good faith and fair dealing which may be implied by law into contracts. This Letter of Representation, the Continuing Disclosure Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Deed of Trust and the Tax Certificate and any rights of the City and obligations of the Corporation under the Loan Agreement not so assigned to the Bond Trustee will constitute the legal, valid and binding agreements of the Corporation enforceable against the Corporation in accordance with their respective terms; except as enforcement of each of the above-named documents may be limited by bankruptcy, insolvency, moratorium, reorganization, fraudulent conveyance laws, laws affecting the enforcement of creditors rights, the application of equitable principles and judicial discretion, and by the covenant of good faith and fair dealing which may be implied by law into contracts.

4. The Corporation is not in breach, default, or in violation of any statute, indenture, mortgage, deed of trust, note, loan agreement, or other agreement or instrument which would allow the obligee or obligees thereof to take any action which would adversely affect the Corporation's performance under the Loan Agreement, the Tax Certificate, the Continuing Disclosure Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Deed of Trust, this Letter of Representation, the Preliminary Official Statement or the Official Statement.

5. The Corporation is not in breach of or default under (i) any applicable law or administrative regulation of the State of California or any jurisdiction where it operates, or the United States of America or any applicable judgment or decree, in each case which breach or default would materially adversely affect the financial position or operations of the Obligated Group or (ii) any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Corporation is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute an event of default under any such instrument, in each case which breach or default would materially adversely affect the financial position or operations of the Corporation.

6. The approval by the Corporation of the Bond Indenture, the Bond Purchase Agreement, the Preliminary Official Statement and the Official Statement; the execution and delivery by the Corporation of the Loan Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Deed of Trust, the Tax Certificate, the Continuing Disclosure Agreement and this Letter of Representation; the consummation of the transactions herein and therein contemplated; and the fulfillment of or compliance with the terms and conditions hereof and thereof will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under the articles of incorporation of the Corporation and its bylaws, any resolutions of its Board of Directors or any applicable law or administrative rule or regulation, or any applicable court or administrative judgment, decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which it will remain a party after the issuance of the Bonds or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the Corporation's assets, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Bond Purchase Agreement, the Bond Indenture, the Loan Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Deed of Trust, the Tax Certificate, the Continuing Disclosure Agreement, this Letter of Representation, the Preliminary Official Statement or the Official Statement or the financial condition, assets, properties or operations of the Corporation.

7. No consent or approval of any trustee or holder of any indebtedness of the Corporation, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except in connection with Blue Sky proceedings) is necessary in connection with the execution and delivery of this Letter of Representation, the Loan Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Deed of Trust, the Tax Certificate or the Continuing Disclosure Agreement; the approval of the Bond Purchase Agreement, the Bond Indenture, the Preliminary Official Statement or the Official Statement; or the consummation of any transaction therein or herein contemplated on the part of the Corporation, except for filings contemplated therein or except as have been obtained or made and as are in full force and effect or, as appropriate, will be in full force and effect at the Closing. The Corporation makes no representation as to any approvals or actions as may be required under any state Blue Sky or federal securities laws.

8. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other government authority pending or, to the knowledge of the Corporation, threatened against the Corporation or its assets, properties or operations which, if determined adversely to the Corporation, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Bond Purchase Agreement, the Bond Indenture, the Loan Agreement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Deed of Trust, the Tax Certificate, this Letter of Representation, the Continuing Disclosure Agreement, the Preliminary Official Statement or the Official Statement or upon the financial condition, assets, properties or operations of the Corporation, and the Corporation is not in default or violation with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default would materially and adversely affect the consummation of the transactions contemplated by the Bond Purchase Agreement, the Bond Indenture, the Loan Agreement, the Master Indenture,

Supplement No. 1, Obligation No. 1, the Deed of Trust, the Tax Certificate, this Letter of Representation, the Preliminary Official Statement, the Official Statement, the Continuing Disclosure Agreement or the financial condition, assets, properties or operations of the Corporation.

9. The Corporation is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), is not a private foundation as described in Section 509(a) of the Code or corresponding provisions of prior law, and the Corporation is exempt from federal income taxes under Section 501(a) of the Code, except for unrelated business income subject to taxation under Section 511 of the Code.

10. The Corporation is a corporation organized and operated exclusively for charitable purposes (within the meaning of Section 501(a) of the Code), not for pecuniary profit, no part of the net earnings of which inures to the benefit of any private shareholder or individual, all within the meaning of Subsection 3(a)(4) of the Securities Act of 1933, as amended (the "Securities Act"), and of Subsection 12(g)(2)(D) of the 1934 Act.

11. The Corporation has all necessary corporate power and authority to conduct the activities now being conducted by it, to enter into this Letter of Representation and to be reimbursed (to the extent such reimbursement is available under applicable statutes, regulations and administrative practices) for its costs and expenses under all third party payor programs accounting for a significant portion of the Corporation's gross revenues, including without limitation, Medicare and Medi-Cal.

12. Except as otherwise disclosed in the Official Statement, the Corporation has good and marketable title to (or a valid and enforceable leasehold interest in) its health facilities free and clear from all encumbrances other than Permitted Liens (as defined in the Master Indenture).

13. During the five (5) years immediately preceding the date hereof, the Corporation has been in compliance in all material respects with all of its continuing disclosure obligations under Rule 15c2-12, except as otherwise disclosed in the Official Statement.

14. The Corporation has not incurred any material liability, direct or contingent, other than in the ordinary course of business, nor has there been any material adverse change in the financial position, results of operation or condition, financial or otherwise, of the Corporation since November 30, 2017, which is not described in the Official Statement.

15. Between the date hereof and the Closing Date, the Corporation will not, without the prior written consent of the Underwriter (which consent shall not be unreasonably withheld or delayed), except as described in or contemplated by the Preliminary Official Statement or the Official Statement, incur any material liabilities, direct or contingent, other than in the ordinary course of business.

16. As of the date thereof and as of the date hereof, and except as corrected in the Official Statement, the Preliminary Official Statement (including the financial statements and other financial and statistical data contained in the Preliminary Official Statement, but excluding information regarding DTC, the book entry system and the Authority, and Appendix [F], and any information permitted to be omitted pursuant to Rule 15c2-12) did not and does not contain any

untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading.

17. As of the date hereof, the Official Statement (including the financial statements and other financial and statistical data contained in the Official Statement, but excluding information regarding DTC, the book entry system and the Authority, and Appendix [F]), as amended or supplemented pursuant to the Bond Purchase Agreement or this Letter of Representation, if applicable, does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading.

18. If between the date hereof and up to and including the 25th day following the end of the underwriting period (as defined in Rule 15c2-12) any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Corporation shall notify the City and the Underwriter and if in the opinion of the City or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Corporation will request the City to cause the Official Statement to be amended or supplemented in a form and in a manner approved by the Underwriter and the City, at the expense of the Corporation as provided herein.

19. For 25 days from the date of the end of the underwriting period (as defined in Rule 15c2-12), the Corporation (i) will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter or the City shall reasonably object in writing or which shall be disapproved by counsel for the Underwriter or the City and (ii) if any event relating to or affecting the City or the Corporation or its present or proposed facilities shall occur as a result of which it is necessary, in the opinion of counsel for the Underwriter or the City, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, forthwith prepare and furnish to the Underwriter and the City (at the expense of the Corporation) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriter and counsel to the City) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchaser, not misleading. For the purposes of this subsection, the Corporation will furnish such information as the Underwriter may from time to time reasonably request.

20. (a) To the fullest extent permitted by law, the Corporation agrees to indemnify and hold harmless the City and the Underwriter and each person, if any, who controls the City and the Underwriter within the meaning of Section 15 of the Securities Act (collectively, the "Indemnified Persons," and individually, an "Indemnified Person"), from and against any and all judgments, losses, claims, damages, expenses or liabilities caused by (i) the failure to register any security under the Securities Act, or to qualify any indenture under the Trust Indenture Act in connection with the sale of the Bonds; (ii) any untrue statement or alleged untrue statement of a

material fact contained in any offering or disclosure document used in connection with the sale of the Bonds (which may include the Preliminary Official Statement and the Official Statement) or any amendment thereof or supplement thereto, or the omission or alleged omission to state therein a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; except, solely with respect to the indemnification of the City, for the information set forth under the captions "THE CITY OF OROVILLE," and "MATERIAL LITIGATION-The City" and, except solely with respect to indemnification of the Underwriter, for the information set forth under the caption "UNDERWRITING," insofar as such judgments, losses, claims, damages, expenses or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information furnished under such headings in the Preliminary Official Statement or the Official Statement.

(b) In case any action shall be brought against an Indemnified Persons in respect of which indemnity may be sought against the Corporation, such Indemnified Person shall promptly notify the Corporation in writing setting forth the particulars of such claim or action, and the Corporation shall assume the defense thereof, including the retaining of counsel satisfactory to such Indemnified Party and payment of all expenses. The Indemnified Person shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of the Indemnified Person, unless (i) the retention of such counsel has been specifically authorized by the Corporation prior to the retention of such counsel or (ii) the named parties to any such action (including any impleaded parties) include the Indemnified Person and the Corporation, and the Indemnified Person shall have been advised by such counsel that there may be one or more legal defenses available to it which are different from or additional to those available to such, in which case the Corporation shall not have the right to assume the defense of such action on behalf of the Indemnified Person (notwithstanding its obligation to bear the fees and expenses of the such counsel), it being understood, however, that the Corporation shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for the Indemnified Person. The Corporation shall not be liable for any settlement of any such action effected without its written consent, but if settled with the prior written consent of the Corporation, or if there be a final judgment for the plaintiff in any such action, the Corporation agrees to indemnify and hold harmless the Indemnified Person from and against any loss or liability by reason of such settlement or judgment. Nothing in this Section 20 shall be construed to limit the indemnification of the City or any City indemnified person pursuant to the Loan Agreement.

21. In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in Section 20 hereof is applicable but for any reason is held to be unavailable from the Corporation, the Corporation and the Underwriter shall contribute to the aggregate losses, claims, damages and liabilities (including any investigation, legal and other expenses) incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding or any claims asserted, but after deducting any contribution received by the Corporation from persons who control the Corporation within the meaning of Section 20 of the Securities Exchange Act of 1934 and Section 15 of the Securities Act of 1933, as amended (collectively, the "Securities Acts"), to which the Corporation and the Underwriter may be subject in such proportions that the Underwriter is responsible for that portion represented by the

percentage that the underwriting discount or fee received by the Underwriter bears to the offering price of the Bonds and the Corporation is responsible for the balance; provided, however, that (i) in no case shall the Underwriter be responsible for any amount in excess of the underwriting fee or discount applicable to the Bonds purchased by the Underwriter pursuant to the Bond Purchase Agreement and (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act of 1933, as amended) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 21, each officer, agent and employee of the Underwriter and each person, if any, who controls the Underwriter within the meaning of the Securities Acts, shall have the same rights to contribution as the Underwriter, and each person, if any, who controls the Corporation within the meaning of the Securities Acts shall have the same rights to contribution as the Corporation, subject in each case to clauses (i) and (ii) of this Section 21. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this Section 21, notify such party or parties from whom contribution may be sought, but the omission to so notify such party from whom contribution may be sought shall not relieve the party or parties from whom contribution may be sought from any other obligation it or they may have hereunder or otherwise than under this Section 21. No party shall be liable for contribution with respect to any action or claims settled without its consent.

22. The Corporation will not use the proceeds of the Bonds in such a manner that they would be deemed used by an "exempt person" in an "unrelated trade or business" within the meaning of Section 513(a) of the Code, in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Bonds under Section 103 of said Code.

23. The Corporation has obtained or will obtain all variances from applicable zoning ordinances and has obtained or will obtain in due course all building permits and easements or licenses for the acquisition, construction and equipping of the Project (as said term is defined in the Bond Indenture), to the extent and as such Project is described in the Official Statement, and such variances, permits, easements and licenses constitute all approvals required for the Project. The Project has complied with the requirements of the California Environmental Quality Act.

24. The audited consolidated financial statements of the Corporation which appear in Appendix B of the Official Statement were examined by Armanino LLP, independent accountants, and their report thereon appears in Appendix B to the Official Statement.

25. As of the date hereof, there has been no material decrease in the total net assets and there has been no material increase in the long-term debt of the Corporation from amounts shown on page A-__ of the Official Statement, there has been no material decrease in the cash and cash equivalents and the investments of the Corporation from amounts shown on page A-__ of the Official Statement, and there has been no material decrease in the excess of revenues over expenses of the Corporation from amounts shown on page A-___ of the Official Statement.

26. The Corporation hereby agrees to pay the expenses described in Section 6 of the Bond Purchase Agreement, and to pay any expenses incurred in amending or supplementing the Official Statement pursuant to the Bond Purchase Agreement or this Letter of Representation.

27. The Corporation acknowledges and agrees that (a) the Underwriter is acting as a principal under the Bond Purchase Agreement (including this Letter of Representation) and not as an agent of or a fiduciary to any party to the Bond Purchase Agreement (including this Letter of Representation), (b) the Underwriter is not acting as a financial advisor to any party to the Bond Purchase Agreement (including this Letter of Representation), (c) the Underwriter's engagement in the transactions described in the Bond Purchase Agreement (including this Letter of Representation) and in the Official Statement, and all discussions and undertakings leading up thereto, is solely as an underwriter; such engagement shall not be, or shall not be construed to be, in any other capacity and (d) the Corporation is solely responsible for making its own judgments in connection with the transactions described in the Bond Purchase Agreement (including this Letter of Representation) and in the Official Statement, regardless of whether the Underwriter has advised or is currently advising the Corporation on any other matters, whether or not related to such transactions. Nothing in the foregoing paragraph is intended to limit the Underwriter's obligations of fair dealing under MSRB Rule G-17.

28. With respect to Bonds of those maturities as to which at least 10% of the Bonds of the maturity has been sold to the public at a single price (the "10% test"), without independent verification by the Corporation and solely based on reporting by the Underwriter to the City and the Corporation on the date hereof and prior to the execution of the Bond Purchase Agreement, which maturities are indicated in Schedule 1 attached to the Bond Purchase Agreement, the Corporation will treat the first price at which 10% of each such maturity of the Bonds was sold to the public as the issue price of that maturity. For Bonds maturing on the same date but having different interest rates, each separate CUSIP number for such Bonds is subject to the 10% test as if it were a separate maturity. With respect to Bonds of those maturities as to which the 10% test has not been satisfied, based on reporting by the Underwriter to the City and the Corporation on the date hereof and prior to the execution of the Bond Purchase Agreement, which maturities are indicated in Schedule 1 attached to the Bond Purchase Agreement, the Corporation agrees that the rules in Section 5(c) of the Bond Purchase Agreement shall apply. The Corporation further agrees that Schedule 1 to the Bond Purchase Agreement sets forth, as of the date of the Bond Purchase Agreement, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the Corporation agrees that the restrictions set forth in Section 5(c) of the Bond Purchase Agreement shall apply, which will allow the Corporation to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity.

29. The Corporation acknowledges that the Underwriter, in making the representation set forth in Section 5(c) of the Bond Purchase Agreement, will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a retail or other third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail or other third-party distribution agreement and the related pricing wires.

The representations, warranties, agreements and indemnities herein shall survive the Closing under the Bond Purchase Agreement and any investigation made by or on behalf of the City and the Underwriter or any person who controls the City or the Underwriter of any matters

described in or related to the transactions contemplated hereby and by the Bond Purchase Agreement, the Official Statement, the Master Indenture, Supplement No. 1, Obligation No. 1, the Deed of Trust, the Tax Certificate, the Continuing Disclosure Agreement, the Loan Agreement and the Bond Indenture.

This Letter of Representation shall be binding upon the Corporation and shall inure solely to the benefit of the City, the Underwriter and, to the extent set forth herein, persons controlling the City, or the Underwriter, and their respective officers, employees, agents, advisors, attorneys and personal representatives, successors and assigns, and no other person or firm shall acquire or have any right under or by virtue of this Letter of Representation. This Letter of Representation shall be governed by the laws of the State of California.

The Bond Purchase Agreement and this Letter of Representation, together with any contemporaneous written agreements and any prior written agreements (to the extent not superseded by the Bond Purchase Agreement and this Letter of Representation) that relate to the offering of the Bonds, represents the entire agreement between the Corporation and the Underwriter with respect to the preparation of the Official Statement, the conduct of the offering, and the purchase and sale of the Bonds.

This Letter of Representation may be executed in any number of counterparts and all such counterparts shall together constitute one and the same instrument.

[Remainder of Page Intentionally Left Blank]

If the foregoing is in accordance with your understanding of the agreement among us, kindly sign and return to the Corporation a duplicate of this Letter of Representation whereupon this will constitute a binding agreement among us in accordance with the terms hereof.

Very truly yours,

OROVILLE HOSPITAL

By _____
Authorized Signatory

Agreed to and approved:

MORGAN STANLEY & CO. LLC,
as Underwriter

By _____
Authorized Representative

CITY OF OROVILLE

By _____
Authorized Signatory

EXHIBIT B

FORM OF OPINION OF COUNSEL TO THE CORPORATION

[To Come]

City of Oroville
1735 Montgomery Street
Oroville, California 95965

Morgan Stanley & Co. LLC
555 California Street, 21st Floor
San Francisco, California 94104

[TRUSTEE]

Re: $_____ City of Oroville Revenue Bonds (Oroville Hospital), Series 2018B

EXHIBIT C

FORM OF CITY ATTORNEY OPINION

[Closing Date]

[To be updated.]

Oroville Hospital
2767 Olive Highway
Oroville, California 95966-6185

Morgan Stanley & Co. LLC
555 California Street, 21st Floor
San Francisco, CA 94104

[BOND TRUSTEE]

City of Oroville
Revenue Bonds
(Oroville Hospital)
Series 2018B

Ladies and Gentlemen:

We have acted as counsel to the City of Oroville, California (the "City") in connection with certain proceedings relating to the issuance, sale and delivery of the above-captioned bonds (the "Bonds"), which are being issued under and are secured by an Bond Indenture, dated as of December 1, 2018, by and between the City and [BOND TRUSTEE], as trustee. The Bonds are being sold to Morgan Stanley & Co. LLC, as the underwriter (the "Underwriter") pursuant to a Bond Purchase Agreement, dated _____, 2018 (the "Bond Purchase Agreement"), between the Underwriter and the City, and approved by Oroville Hospital, as the borrower of the proceeds of the Bonds (the "Corporation"). In connection with its approval of the Bond Purchase Agreement, the Corporation is executing and delivering a Letter of Representation, which is appended to the Bond Purchase Agreement as Exhibit A. (The Bond Purchase Agreement, as supplemented by the Letter of Representation is hereinafter referred to as the "Bond Purchase Agreement".)

We have reviewed copies or original counterparts of the following:

(a) The resolution of the City Council of the City, adopted on _____, 2018 (the "Approving Resolution"), authorizing the issuance, sale and delivery of the Bonds and approving the form and substance of and authorizing the execution and delivery of documents and instruments relating thereto; and

(b) The Bond Purchase Agreement, the Loan Agreement and the Bond Indenture.

In addition, we have examined such other materials as we have determined necessary to enable us to express the opinions set forth below.

For purposes of rendering this opinion, we have assumed without independent verification (i) the genuineness of the certificates, records and other documents described above (the "Documents") and the accuracy and completeness of the statements of fact contained therein; (ii) the due authorization, execution and delivery of the Documents by the parties other than the City; (iii) that all Documents submitted to us as originals are accurate and complete; and (iv) that all Documents submitted to us as copies are true and correct copies of the originals thereof.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The City is a municipal corporation and chartered duly organized and validly existing under and by virtue of the laws of the State of California.

2. The Approving Resolution was duly adopted at a meeting of the City Council of the City that was called and held pursuant to law and with all public notice required by law, and at which a quorum was present and acting throughout, and is in full force and effect and has not been amended, modified or superseded as of the date hereof.

3. Each of the Bond Purchase Agreement, the Loan Agreement and the Bond Indenture has been duly executed and delivered by the City and constitutes the valid and legally binding obligation of the City enforceable against the City in accordance with the terms thereof, subject to the qualifications set forth below.

No opinion is expressed herein with respect to compliance with the securities laws of any jurisdiction.

We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds.

We additionally express no opinion as to the validity or enforceability of the Bonds or the tax-exempt status of the Bonds. We understand that you will rely on the opinion of Quint & Thimmig LLP, Bond Counsel, as to such matters.

This letter is furnished by us as counsel to the City. No attorney-client relationship has existed or exists between our firm and any addressee hereof, other than the City, in connection with the Bonds or by virtue of this letter. Our engagement with respect to the Bonds has terminated as of the date hereof, and we disclaim any obligation to update this letter. This opinion is solely for the benefit of the addressees and may not be used, circulated, quoted or referenced for any other purpose or by any other person.

Very truly yours,

EXHIBIT D

PROPOSED FORM OF ISSUE PRICE CERTIFICATE

$[PAR AMOUNT]
City of Oroville
Revenue Bonds
(Oroville Hospital)
Series 2018B

The undersigned, on behalf of Morgan Stanley & Co. LLC ("Morgan Stanley"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds") of the City of Oroville, California (the "City").

1. ***Sale of the General Rule Maturities***. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities***.

(a) Morgan Stanley offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Bond Purchase Agreement dated [_____, 2018] (the "Bond Purchase Agreement"), by and among the City, and approved by Oroville Hospital (the "Corporation"), Morgan Stanley agreed in writing on or prior to the Sale Date that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each broker-dealer who is a member of the selling group, and any retail or other third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail or other third-party distribution agreement (to which Morgan Stanley is a party), to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. ***Defined Terms***.

(a) *General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "General Rule Maturities."

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "Hold-the-Offering-Price Maturities."

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which Morgan Stanley has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2018.

(g) *Underwriter* means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Morgan Stanley's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The representations contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein. The undersigned understands that the foregoing information will be relied upon by the City and the Corporation with respect to certain of the representations set forth in the Tax Certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Quint & Thimmig LLP. in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal

Revenue Service Form 8038, and other federal income tax advice that it may give to the City and the Corporation from time to time relating to the Bonds.

MORGAN STANLEY & CO. LLC

By: _____
Authorized Representative

Dated: _____ __, 2018

EXHIBIT E

FORM OF PROCEDURES LETTER

[To come.]

PRELIMINARY OFFICIAL STATEMENT DATED [ ], 2018

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS [†]: S&P: [ ]
Fitch: [ ]

[*In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject to compliance by the City and the Corporation with certain covenants, under present law, interest on the Series 2018B Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations. In the opinion of Bond Counsel, interest on the Series 2018B Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein for more complete discussion."*][*Note: Bond Counsel to update.*]

[LOGO]

$[PAR][*]
CITY OF OROVILLE
REVENUE BONDS
(OROVILLE HOSPITAL), SERIES 2018B

Dated: Date of Delivery **Due: April 1, as shown on inside cover**

The City of Oroville, California (the "City") is issuing its Revenue Bonds (Oroville Hospital), Series 2018B (the " Series 2018B Bonds"), pursuant to a Bond Indenture, dated as of December 1, 2018 (the "Bond Indenture"), between the City and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"). The proceeds of the Series 2018B Bonds will be loaned to Oroville Hospital (the "Corporation") and used for the purposes described herein under "FINANCING PLAN."

The Series 2018B Bonds will be issued as fully registered Bonds, initially in the denomination of $5,000 or any integral multiple in excess thereof, and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Beneficial Owners of the Series 2018B Bonds will not receive physical certificates representing the Series 2018B Bonds purchased but will receive a credit balance on the books of the nominees of such purchasers. So long as Cede & Co. is the registered owner of the Series 2018B Bonds, principal (and redemption price) of and interest on the Series 2018B Bonds will be paid to DTC, which, in turn, will remit such principal (and redemption price) and interest to its participants for subsequent disbursement to the Beneficial Owners of the Series 2018B Bonds, as described herein. Interest on the Series 2018B Bonds will be payable on April 1 and October 1 of each year, commencing April 1, 2019. **The Series 2018B Bonds are subject to optional, mandatory and special redemption, and purchase in lieu of redemption prior to their respective maturities, as described herein.** The purchase of the Series 2018B Bonds involves certain investment risks. See "BONDHOLDERS' RISKS" herein.

The Series 2018B Bonds are limited obligations of the City, secured under the provisions of the Bond Indenture and the Loan Agreement, dated as of December 1, 2018 (the "Loan Agreement") between the City and the Corporation. The Series 2018B Bonds will be payable from Revenues, which consist primarily of Loan Repayments (as described herein) made by the Corporation pursuant to the Loan Agreement, from certain funds and accounts held under the Bond Indenture, and from payments on the Obligation No. 1 issued under the Master Indenture of Trust, dated as of December 1, 2018, as supplemented (the "Master Indenture), between the Corporation and The Bank of New York Mellon Trust Company, N.A., as master trustee. Upon the date of issuance of the Series 2018B Bonds, the Corporation will be the sole member of the obligated group created under the Master Indenture and, therefore, will be the only entity obligated to make payments on Obligation No. 1 in amounts sufficient to pay the principal of and interest on the Series 2018B Bonds when due. The obligation to make payments on Obligation No. 1 will be secured by a pledge of the Gross Revenues and the Gross Revenue Fund (each as defined herein) of the Corporation pursuant to the Master Indenture and the Deed of Trust Property (as defined herein).

THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM THE FUNDS PROVIDED UNDER THE LOAN AGREEMENT AND THE BOND INDENTURE, AND PLEDGED AS SECURITY THEREFOR. NEITHER THE GENERAL CREDIT NOR THE TAXING POWER OF THE CITY OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS, NOR WILL THE BONDS BE OR BE DEEMED TO BE A DEBT OF THE CITY OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this bond issue. Investors are instructed to read the entire Official Statement to obtain information essential for the making of an informed investment decision.

SEE MATURITY SCHEDULE ON INSIDE COVER PAGE

The Series 2018B Bonds are offered when, as and if received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approval of the validity of the Series 2018B Bonds and certain other legal matters by Quint & Thimmig LLP, Bond Counsel. Certain other matters will be passed upon for the City by its counsel, [_____], for the Corporation by its counsel, Nixon Peabody LLP, and by its disclosure counsel, Orrick, Herrington & Sutcliffe LLP, and for the Underwriter by its counsel, Norton Rose Fulbright LLP. Ravi Chitkara and Wulff, Hansen & Co. have acted as Financial Advisors to the Corporation in connection with the issuance of the Series 2018B Bonds. It is expected that the Series 2018B Bonds will be available in book-entry form for delivery through the facilities of DTC on or about [ ], 2018.

MORGAN STANLEY

Dated: [ ], 2018

[†] See "RATINGS" herein.

[*] Preliminary, subject to change.

MATURITY SCHEDULE[*]

[PAR][*]
City of Oroville, California
Revenue Bonds
(Oroville Hospital),
Series 2018B

Maturity Date (April 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP[†]
	$				

$ __% Term Bond due April 1, 20__, Price __ Yield ____ CUSIP[†]: _____
$ __% Term Bond due April 1, 20__, Price __ Yield ____ CUSIP[†]: _____

[*] Preliminary, subject to change.

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. Copyright© 2018 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the City, the Corporation, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

This Official Statement does not constitute an offer to sell the Series 2018B Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Series 2018B Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, salesperson or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Series 2018B Bonds, and, if given or made, such information or representation must not be relied upon.

The information relating to the City set forth herein under the captions "THE CITY" and "MATERIAL LITIGATION — The City" has been furnished by the City.

The information concerning DTC and the book-entry system set forth herein under the caption "THE BONDS — Book-Entry System" and in Appendix F hereto has been furnished by DTC. Such information is believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Corporation. All other information set forth herein has been obtained from the Corporation and other sources (other than the City and DTC) that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2018B Bonds made hereunder shall create under any circumstances any indication that there has been no change in the affairs of the City, the Corporation or DTC since the date hereof. The Underwriter (as hereinafter defined) has provided the following sentence for inclusion in this Official Statement. *The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.*

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "anticipate," "project," "budget" or other similar words. Such forward-looking statements include, among others, certain statements in "FINANCING PLAN," and "BONDHOLDERS' RISKS" in this Official Statement, [APPENDIX A — "CERTAIN INFORMATION CONCERNING OROVILLE HOSPITAL — STRATEGIC INITIATIVES" and "— FINANCIAL INFORMATION — Management's Discussion of Financial Performance"][TBC] attached to this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Neither the Corporation nor any other party plans to issue any updates or revisions to those forward-looking statements

if or when their expectations, or events, conditions or circumstances upon which such statements are based occur.

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OFFICIAL STATEMENT

$[PAR]*
CITY OF OROVILLE
REVENUE BONDS
(OROVILLE HOSPITAL),
SERIES 2018B

INTRODUCTORY STATEMENT

The following introductory statement is subject in all respects to the more complete information set forth in this Official Statement. All descriptions and summaries of documents referred to herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document. Terms used in this Official Statement and not otherwise defined have the same meanings as in the Bond Indenture (as defined below), the Master Indenture (as defined below) or APPENDIX C — "SUMMARY OF PRINCIPAL DOCUMENTS" hereto.

The Series 2018B Bonds have risk characteristics that require careful analysis and consideration before a decision to purchase is made. Investment in the Series 2018B Bonds carries a risk with respect to the payment of principal and interest. See "BONDHOLDERS' RISKS" herein.

Purpose of this Official Statement

This Official Statement, including the cover page, the inside cover page and the appendices hereto, is provided to furnish information in connection with the sale and delivery of $[PAR]* aggregate principal amount of the City of Oroville Revenue Bonds (Oroville Hospital), Series 2018B (the "Series 2018B Bonds"). The Series 2018B Bonds will be issued pursuant to and secured by a Bond Indenture, dated as of December 1, 2018 (the "Bond Indenture"), between the City of Oroville, California (the "City") and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"). The City will loan the proceeds of the Series 2018B Bonds to Oroville Hospital (the "Corporation"), which loan will be evidenced by a loan agreement, dated as of December 1, 2018 (the "Loan Agreement"), between the City and the Corporation.

The Corporation, the Obligated Group and the Master Indenture

The Corporation is a nonprofit public benefit corporation incorporated under the laws of the State of California that was organized as and has been determined by the Internal Revenue Service to be a charitable organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). As such, it is exempt from federal and State of California income tax. The Corporation owns and operates the Oroville Hospital (the "Hospital") which is a general acute-care, 133-bed licensed facility located in Oroville, California. The Hospital is the only hospital in Oroville and provides clinical and laboratory services to the residents of Oroville as well as the neighboring communities of Butte, Yuba, Colusa, Nevada and Plumas Counties. In recent years, the Hospital has experienced significant increase in patient demand, resulting in the proposed expansion of the Hospital to a 211-bed licensed facility (as further described in "FINANCING PLAN — The Project"), a significant portion of which will be financed by proceeds of the Series 2018B Bonds.

* Preliminary, subject to change.

The Corporation intends to use the proceeds of the Series 2018B Bonds, together with other available funds, to (i) finance the Project, (ii) finance capitalized interest of the Series 2018B Bonds, (iii) fund the Debt Service Reserve Fund Requirement (as defined herein), and (iv) pay the costs of issuing the Series 2018B Bonds.] [*Note: To be updated in line with final plan of finance*.]

Concurrently with the issuance of the Series 2018B Bonds, the Corporation will enter into a Master Indenture of Trust, dated as of [ ], 2018 (as may be supplemented or amended from time to time, the "Master Indenture"), with [The Bank of New York Mellon Trust Company, N.A.][TBC], as master trustee (the "Master Trustee"), pursuant to which an obligated group (the "Obligated Group") will be created. Upon the date of issuance of the Series 2018B Bonds, the Corporation will be the sole Member, and the Obligated Group Representative, of the Obligated Group, and, therefore, will be the only entity obligated to make payments with respect to Obligation No. 1 (described below). Subject to the conditions set forth in the Master Indenture, additional Members of the Obligated Group (each a "Member" or an "Obligated Group Member" and, collectively, the "Members" or "Obligated Group Members") may be added from time to time and made jointly and severally liable with the Corporation with respect to Obligations (as defined in the Master Indenture) issued under the Master Indenture. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — The Master Indenture" herein. For further information pertaining to the Master Indenture and the Obligated Group, see APPENDIX C — "SUMMARY OF PRINCIPAL DOCUMENTS — MASTER INDENTURE — Particular Covenants of the Corporation and Each Member — Membership in Obligated Group," to this Official Statement.

Audited consolidated financial statements of the Corporation and its subsidiaries (the "[Subsidiaries]/[Immaterial Affiliates]") for the fiscal years ended November 30, 2017 and 2016 are set forth in Appendix B hereto. The [Subsidiaries]/[Immaterial Affiliates] are not Members of the Obligated Group, but the results of operations and financial condition of the [Subsidiaries]/[Immaterial Affiliates] are included in the audited consolidated financial statements included in Appendix B. For the fiscal year ended November 30, 2017, the Corporation generated approximately 95.0% of the net patient service revenue, approximately 95.0% of the total revenue and approximately 98.7% of the change in net assets from operations of the Corporation and [Subsidiaries]/[Immaterial Affiliates], and in the aggregate, represented 97.2% of the total unrestricted net assets of the Corporation and [Subsidiaries]/[Immaterial Affiliates].

Debt Service Reserve Fund

The Bond Indenture requires the establishment of a Debt Service Reserve Fund. On the date of issuance of the Series 2018B Bonds, proceeds of the Series 2018B Bonds in the amount of $[ ]* will be deposited in the Debt Service Reserve Fund. The Debt Service Reserve Fund shall be held by the Bond Trustee solely as security for the Series 2018B Bonds as provided in the Bond Indenture. The moneys in the Debt Service Reserve Fund and any investment held as part of such fund shall be held in trust and shall be applied by the Bond Trustee solely to make up deficiencies in the Interest Account or Principal Account established under the Bond Indenture; except that income on such investments shall (i) prior to the completion of the Project (described below), be transferred to the Project Fund, and (ii) after the completion of the Project be transferred to the Revenue Fund, in each case, provided that the Debt Service Reserve Requirement would be met following such transfer. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — The Bond Indenture — Debt Service Reserve Fund" herein, and APPENDIX C — ["SUMMARY OF PRINCIPAL DOCUMENTS — BOND INDENTURE — Pledge and Assignment; Revenue Fund,"] ["— Allocation of Revenues,"] ["— Debt Service Reserve Fund"] and [" — Project Fund"] hereto.

* Preliminary, subject to change.

Security for the Series 2018B Bonds

The Series 2018B Bonds will be payable solely from Revenues, which consist primarily of payments made by the Corporation under the Loan Agreement for the purpose of paying the principal of and interest on the Series 2018B Bonds (the "Loan Repayments"), from payments made by the Corporation on Obligation No. 1, and from interest, profits or other income derived from the investment of amounts held in certain funds and accounts established pursuant to the Bond Indenture, and from certain funds and accounts held under the Bond Indenture.

In order to evidence the obligation of the Corporation to make the payments under the Loan Agreement, the Corporation, as Obligated Group Representative, will issue Obligation No. 1 ("Obligation No. 1") pursuant to the Master Indenture, as supplemented by a Related Supplement for Obligation No. 1, dated as of [ ], 2018 (the "Supplemental Master Indenture"), between the Corporation, as Obligated Group Representative, and the Master Trustee. Pursuant to the Master Indenture and the Supplemental Master Indenture, the Corporation agrees to make payments on Obligation No. 1 in an amount sufficient to pay, when due, the Loan Repayments required to be paid by the Corporation and, thus, the principal of and interest on the Series 2018B Bonds. As the only Member of the Obligated Group, the Corporation is the only entity obligated to make Required Payments (as defined in the Master Indenture) on Obligation No. 1. Obligation No. 1 will entitle the Bond Trustee, as the holder thereof, to the benefit of the covenants, restrictions and other obligations imposed on the Obligated Group under the Master Indenture. For further information concerning the security for the Series 2018B Bonds, see the information under the caption "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein.

To secure the Corporation's obligation to make Required Payments with respect to Obligation No. 1 and any future Obligation to be issued under the Master Indenture and its other obligations, agreements and covenants to be performed and observed under the Master Indenture, the Corporation will grant to the Master Trustee for the benefit of the holder of Obligation No. 1, and any future Obligation to be issued under the Master Indenture, a security interest in its Gross Revenues and the Gross Revenue Fund (each as described herein) to the extent the same may be pledged and a security interest granted therein under the California Uniform Commercial Code (the "UCC"), subject to Permitted Liens (as defined in the Master Indenture). The security interest in the Gross Revenues and the Gross Revenue Fund will be perfected to the extent, and only to the extent, that such security interest may be perfected under the UCC.

As further security for the Corporation's obligations under the Master Indenture, including its obligations to make payments on Obligation No. 1, the Corporation will grant the Master Trustee a lien on and security interest in the [Pledged Property Plant and Equipment] (the "[Deed of Trust Property]") pursuant to the [Deed of Trust] (as defined herein), subject to Permitted Liens. For a description of the terms of the [Deed of Trust] and of the [Deed of Trust Property], see "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — Deed of Trust" herein and APPENDIX H — "SUMMARY OF DEED OF TRUST" hereto. For a description of Permitted Liens, see APPENDIX C — "SUMMARY OF PRINCIPAL DOCUMENTS — DEFINITION OF CERTAIN TERMS — Master Indenture and Related Supplement No. 1" hereto.][TBC]

Under certain circumstances, the Master Indenture permits the Obligated Group to incur Additional Indebtedness (as defined in the Master Indenture) and to issue additional Obligations that may be secured on a parity basis with Obligation No. 1. [See APPENDIX C — "SUMMARY OF PRINCIPAL DOCUMENTS — MASTER INDENTURE — Particular Covenants of the Corporation and Each Member — Deed of Trust; Against Encumbrances" and "— Limitations on Additional Indebtedness" and see APPENDIX C — "SUMMARY OF PRINCIPAL DOCUMENTS — DEFINITION OF CERTAIN TERMS — Master Indenture and Related Supplement No. 1" hereto.]

[add discussion of Obligations for Union Bank if applicable]

Amendments to Master Indenture, Bond Indenture and Loan Agreement

The Corporation, as Obligated Group Representative, and the Master Trustee may modify the provisions of the Master Indenture in certain instances without the consent of the holders of Obligations and in other instances with consent of the holders of not less than a majority in aggregate principal amount of the Obligations then outstanding, and the required percentage could be obtained from the holders of Obligations other than Obligation No. 1. See APPENDIX C — ["SUMMARY OF PRINCIPAL DOCUMENTS — MASTER INDENTURE — Supplements and Amendments Not Requiring Consent of Holders" and "— Amendments and Supplements Requiring Consent of Holders."]

Certain modifications or amendments to the Bond Indenture or the Loan Agreement may be made from time to time and at any time without the consent of Bondholders or with the written consent of not less than holders of a majority in aggregate principal amount of the Series 2018B Bonds then outstanding. See APPENDIX C — ["SUMMARY OF PRINCIPAL DOCUMENTS — BOND INDENTURE — Modification or Amendment of the Bond Indenture" and "— Amendment of Loan Agreement."]

Feasibility Study

Wipfli LLP ("Wipfli"), issued an Independent Accountants' Report, dated [ ], 2018 (the "Report"), regarding the financial feasibility of the Project, including the proposed financing of the Project with proceeds from the sale of the Series 2018B Bonds, [other sources TBC]. The Report is based on market and financial projections, as well as assumptions, provided by the Corporation, and the Report, together with such projections and assumptions of the Corporation is collectively referred to herein as the "Feasibility Study." The Feasibility Study is contained in Appendix G hereto.

Bondholders' Risks

There are risks associated with the purchase of the Series 2018B Bonds. See the information under the heading "BONDHOLDERS' RISKS" in this Official Statement for a discussion of certain of these risks.

Continuing Disclosure

The Corporation, [on behalf of the Obligated Group], has covenanted for the benefit of the Holders and Beneficial Owners of the Bonds to provide (i) certain financial and operating data for each of the [Obligated Group]'s fiscal years, (ii) certain quarterly unaudited financial information of the [Obligated Group] and (iii) notices of the occurrence of certain enumerated events. See the information under the caption "CONTINUING DISCLOSURE" herein.

THE CITY OF OROVILLE

[TO BE UPDATED]

General

The City is located on California Highway 70, in the foothills of the Sierra Nevada mountains, 68 miles north of Sacramento. It is the major trade, recreational and commerce center for a large portion of Butte County. The City was founded as a gold mining camp in the late 1840's and incorporated in 1906. Agriculture and light industry have characterized the City throughout its history. The City covers an area of approximately nine and one-half square miles. There are approximately [13,050] inhabitants.

The City is organized and exists under the Charter pursuant to which the City has the right and power to make and enforce all laws and regulations with respect to municipal affairs and certain other matters in accordance with provisions of the California Constitution.

The City uses a Council-Administrator form of government. The City Council consists of six members elected at large for four years overlapping terms. The Mayor is elected at large for a four year term. The City Council appoints the City Administrator, who leads the executive branch of City government and is responsible for the implementation of Council policies and administration of various City departments. Services provided by the City include: police protection, fire protection, building code enforcement, public works, park maintenance, planning and community development.

A full-time equivalent staff of approximately [120] employees carry out the functions of municipal government. City employees are represented by [5] labor relations bargaining units.

Authority to Issue Bonds; Limited Obligations

The City Council, acting under and pursuant to the powers reserved to the City under the Constitution of the State of California and the Charter, has enacted the Series 2018B Bond Law, which establishes a procedure for the authorization, issuance and sale of revenue bonds by the City for the purpose (among others) of making loans to provide financing for health facilities located within its boundaries.

THE BONDS ARE LIMITED OBLIGATIONS OF THE CITY, PAYABLE SOLELY FROM THE FUNDS PROVIDED UNDER THE LOAN AGREEMENT AND THE BOND INDENTURE AND PLEDGED AS SECURITY THEREFOR. NEITHER THE GENERAL CREDIT NOR THE TAXING POWER OF THE CITY OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS, NOR WILL THE BONDS BE OR BE DEEMED TO BE A DEBT OF THE CITY OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF.

THE BONDS

The following is a summary of certain provisions of the Series 2018B Bonds. Reference is made to the Series 2018B Bonds for a complete text thereof and to the Bond Indenture for all of the provisions relating to the Series 2018B Bonds. The discussion herein is qualified by such reference.

General

The Series 2018B Bonds are being issued pursuant to a Bond Indenture in the aggregate principal amount set forth on the cover of this Official Statement. The Series 2018B Bonds will be delivered in fully registered form without coupons. The Series 2018B Bonds will be dated as of their date of delivery, will be transferable and exchangeable as set forth in the Bond Indenture and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, or DTC. DTC will act as securities depository for the Series 2018B Bonds. Ownership interests in the Series 2018B Bonds may be purchased in book-entry form only, in the denominations hereinafter set forth. See "THE BONDS — Book-Entry System" herein.

The Series 2018B Bonds will be issued as fixed rate bonds, maturing on the dates and with interest payable at the rates per annum shown on the inside cover page of this Official Statement. Interest on the Series 2018B Bonds will be payable on April 1 and October 1 of each year, commencing April 1, 2019 (each an "Interest Payment Date"). Interest on the Series 2018B Bonds will be calculated on a 360-day year basis comprised of twelve 30-day months.

The Series 2018B Bonds will be issued as fully registered Bonds in "Authorized Denominations" of $5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Bond Indenture, Bonds may be exchanged, at the Corporate Trust Office of the Bond Trustee, for a like aggregate principal amount of Bonds of other Authorized Denominations of the same maturity.

Payment of the interest on the Series 2018B Bonds shall be made on each Interest Payment Date to the Holder thereof as of the 15th day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date (the "Record Date") for such Interest Payment Date by check mailed by first-class mail to such Holder at his address as it appears on the registration books maintained by the Bond Trustee or, upon the written request of any Holder of at least $1,000,000 in principal amount of Bonds, submitted to the Bond Trustee at least one Business Day prior to the Record Date, by wire transfer in immediately available funds to an account within the United States of America designated by such Bondholder. Notwithstanding the foregoing, so long as the Series 2018B Bonds are registered in book-entry form, the principal or redemption price of, and interest on, the Series 2018B Bonds shall be payable in accordance with the payment procedures of the Securities Depository. See APPENDIX F — "BOOK-ENTRY SYSTEM" hereto.

Any such interest not so punctually paid or duly provided for shall cease to be payable to the Holder on such Record Date and shall be paid to the Person in whose name the Series 2018B Bond is registered at the close of business on a special record date (each a "Special Record Date") for the payment of such defaulted interest to be fixed by the Bond Trustee, notice of which shall be given to the Holders by first-class mail not less than ten days prior to such Special Record Date.

Redemption

Optional Redemption of the Series 2018B Bonds. The Series 2018B Bonds maturing on or after April 1, 20__ are subject to optional redemption prior to their respective stated maturities, at the option of the City (which option shall be exercised upon request of the Corporation), from any source of available funds, in whole or in part (in such amounts and maturities as may be specified by the Corporation, or if the Corporation does not specify such maturities, in inverse order of maturity, and by lot within a maturity) on any date on or after _____ 1, 20__, at a redemption price equal to 100% of the principal amount of Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

Special Redemption of the Series 2018B Bonds. The Series 2018B Bonds are subject to special redemption prior to their respective stated maturities, at the option of the City (which option shall be exercised upon request of the Corporation) in whole or in part (in such amounts and maturities as may be designated by the Corporation or, if the Corporation does not designate such maturities, in inverse order of maturity, and by lot within a maturity) on any date, from hazard insurance or condemnation proceeds received with respect to the health care facilities owned and/or operated by the Corporation and deposited in a special redemption account created under the Bond Indenture, at a redemption price equal to 100% of the principal amount of Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Account Redemption. The Series 2018B Bonds maturing on April 1, 20__ are subject to redemption prior to their stated maturity in part, by lot, on each April 1 on and after April 1, 20__, or to payment at maturity, as the case may be, from the Mandatory Sinking Account Payments, at the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium, in the following amounts and on the following dates:

Year (April 1)	Amount
20__	$
20__	
20__	
20__	

† Maturity

The Series 2018B Bonds maturing on April 1, 20__ are subject to redemption prior to their stated maturity in part, by lot, on each April 1 on and after April 1, 20__, or to payment at maturity, as the case may be, from the Mandatory Sinking Account Payments, at the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium, in the following amounts and on the following dates:

Year (April 1)	Amount
20__	$
20__	
20__	
20__	

† Maturity

Selection of Bonds for Redemption. Whenever provision is made under the Bond Indenture for the redemption of less than all of the Series 2018B Bonds or any given portion thereof, the Bond Trustee shall select the Series 2018B Bonds to be redeemed, from all Bonds subject to redemption or such given portion thereof not previously called for redemption, by lot; provided, however, that in such instances as provided in the Bond Indenture where the Corporation is to specify the maturities of Bonds to be redeemed, the Bond Trustee shall redeem Bonds in accordance with any such specification.

Notice of Redemption; Conditional Notice of Redemption. Notice of redemption will be given by the Bond Trustee, not less than 20 days and not more than 60 days prior to the redemption date, to the Securities Depository, or if the Series 2018B Bonds are no longer held in book-entry form, to the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Bond Trustee by first-class mail. Each notice of redemption will state the date of such notice, the date of issuance of the Series 2018B Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses of the Bond Trustee), the maturity (including the CUSIP numbers, if any), and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that such redemption is conditional upon receipt by the Bond Trustee on or prior to the date fixed for such redemption of sufficient moneys to pay the redemption price of the Series 2018B Bonds to be redeemed and that if such amounts shall not have been so received the notice shall be of no force and effect and the City shall not be required to redeem such Bonds. The City (at the request of the Corporation) may also instruct the Bond Trustee to provide notice of redemption conditioned on the occurrence of any other event if such notice states that if such event does not occur the notice shall be of no force and effect and the City shall not be required to redeem such Bonds. In the event that a notice of redemption contains such a condition and such

amounts are not so received or such event does not occur, the redemption shall not be made and the Bond Trustee shall thereafter as soon as practicable give notice to the same parties and in the same manner as the notice of redemption that such amounts were not received or such event did not occur and such redemption was not made. Failure by the Bond Trustee to mail notice of redemption pursuant to the Bond Indenture to any one or more of the respective Holders of any Bonds designated for redemption (or failure by any such Holder or Holders to receive said notice) shall not affect the sufficiency of the proceedings for redemption of the Series 2018B Bonds with respect to the Holders to whom such notice was mailed.

Rescission of Notice of Redemption. Any notice of optional or special redemption may be rescinded by written notice given to the Bond Trustee by the Corporation no later than two Business Days prior to the date specified for redemption. The Bond Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner, and to the same persons, as notice of such redemption was given.

***Effect of Redemption*.** Notice of redemption having been given in accordance with the Bond Indenture and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption, the Series 2018B Bonds (or portions thereof) so called for redemption being held by the Bond Trustee on the redemption date designated in such notice, the Series 2018B Bonds (or portions thereof) so called for redemption shall become due and payable at the redemption price specified in such notice (plus accrued interest to the redemption date), interest on such Bonds so called for redemption shall cease to accrue from and after the redemption date, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Bond Indenture, and the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said redemption price and accrued interest to the date fixed for redemption from funds held by the Bond Trustee for such payment.

Purchase in Lieu of Redemption. Each Holder or Beneficial Owner, by purchase and acceptance of any Bond, irrevocably grants to the Corporation the option to purchase such Bond, at any time such Bond is subject to optional redemption, as provided in the Bond Indenture at a purchase price equal to the then applicable redemption price of such Bond. In order to exercise such option, the Corporation shall deliver a Favorable Opinion of Bond Counsel to the Bond Trustee to the effect that such purchase is permitted under the Bond Indenture and will not, in and of itself, result in inclusion of interest on the Series 2018B Bonds in gross income for federal income tax purposes, and the Corporation shall direct the Bond Trustee to provide notice of mandatory purchase, such notice to be provided, as and to the extent applicable, in accordance with the provisions of the Bond Indenture, as described under the caption "Notice of Redemption; Conditional Notice of Redemption," above. On the date fixed for purchase of any Bond in lieu of redemption pursuant to the provisions of the Bond Indenture described in this paragraph, the Corporation shall pay the purchase price of such Bond to the Bond Trustee in immediately available funds and the Bond Trustee shall pay the same to the Holders of the Series 2018B Bonds being purchased against delivery thereof. No purchase of any Bond pursuant to the provisions of the Bond Indenture described under this caption shall operate to extinguish the indebtedness evidenced by such Bond. No Holder or Beneficial Owner may elect to retain a Bond subject to mandatory purchase pursuant to the provisions of the Bond Indenture described under this caption. The Corporation may exercise its option to purchase Bonds, in whole or in part, in accordance with this paragraph.

Book-Entry System

The Series 2018B Bonds will be issued in book-entry form. DTC will act as securities depository for the Series 2018B Bonds. The Series 2018B Bonds will be initially issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity in the total aggregate principal amount due on such maturity date and will be deposited with or held at the direction of DTC. See APPENDIX F — "BOOK-ENTRY SYSTEM" hereto.

The City, the Bond Trustee, and the Corporation cannot and do not give any assurances that DTC will distribute to DTC Participants or that DTC Participants or others will distribute to the Beneficial Owners payments of principal and redemption price of and interest on the Series 2018B Bonds or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the City, the Bond Trustee nor the Corporation is responsible or liable for the failure of DTC or any DTC Participant or DTC Indirect Participant (as defined herein) to make any payments or give any notice to a Beneficial Owner with respect to the Series 2018B Bonds or any error or delay relating thereto.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

The Series 2018B Bonds are limited obligations of the City, payable solely from Revenues, which consist primarily of Loan Repayments made to the Bond Trustee by the Corporation pursuant to the Loan Agreement, payments made by Members of the Obligated Group pursuant to Obligation No. 1, and interest, profits or other income derived from the investment of amounts held in certain funds and accounts established pursuant to the Bond Indenture, and from certain funds and accounts held under the Bond Indenture.

Source of Payment for the Series 2018B Bonds

In the Loan Agreement, the Corporation agrees to pay (i) Loan Repayments to the Bond Trustee which, in the aggregate, are required to be in an amount sufficient for the payment in full of all principal and interest amounts payable on the Series 2018B Bonds, whether due at maturity, upon redemption, by declaration of acceleration or otherwise, (ii) all amounts required to be paid into the Debt Service Reserve Fund under the Bond Indenture, and (iii) certain fees and expenses (consisting generally of fees and charges of the Bond Trustee, taxes, accountants' fees and any fees and expenses of the City and the Bond Trustee associated with the Series 2018B Bonds) (the "Additional Payments"). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — The Loan Agreement" below. The obligation of the Corporation to make Loan Repayments and other payments under the Loan Agreement is absolute and unconditional. The Series 2018B Bonds are otherwise payable from payments made with respect to Obligation No. 1 and from certain funds and accounts held under the Bond Indenture and certain investment income on funds and accounts held under the Bond Indenture.

As security for its obligation to make the Loan Repayments, the Corporation, as Obligated Group Representative, concurrently with the issuance with the Series 2018B Bonds, will issue Obligation No. 1 to the Bond Trustee pursuant to which the Corporation, as the sole Member of the Obligated Group, will agree to make payments to the Bond Trustee in amounts sufficient to pay, when due, the principal of and interest on the Series 2018B Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — The Master Indenture" below.

The Corporation will receive a credit on payments due on Obligation No. 1 to the extent of Loan Repayments made under the Loan Agreement.

The legal right and practical ability of the Bond Trustee to enforce its rights and remedies against the Corporation under the Bond Indenture and the Loan Agreement, and against the Members of the Obligated Group under Obligation No. 1 and related documents could be limited by laws relating to bankruptcy, insolvency, reorganization, fraudulent conveyance or moratorium and by other similar laws affecting creditors' rights. See "BONDHOLDERS' RISKS — Risks Related to Enforceability of the Master Indenture, the Loan Agreement and Security" herein.

The Master Indenture

General. Initially, the Corporation will be the Obligated Group Representative for, and the sole Member of, the Obligated Group created pursuant to the Master Indenture. In addition to any Obligations issued under the Master Indenture, the Corporation also finances equipment pursuant to certain capital leases. See APPENDIX A — "CERTAIN INFORMATION CONCERNING OROVILLE HOSPITAL" and APPENDIX B — "CONSOLIDATED FINANCIAL STATEMENTS OF OROVILLE HOSPITAL AND SUBSIDIARIES — Notes to Consolidated Financial Statements — Note 8. Capital Lease Obligations."

Under the Master Indenture, the Obligated Group Representative may authorize pursuant to a Related Supplement, the issuance, for itself and on behalf of any future Members of the Obligated Group, Obligations to evidence or secure indebtedness and other contractual obligations. All Members are jointly and severally liable with respect to the payment of each Obligation issued under the Master Indenture. Obligation No. 1 will be issued under and pursuant to the Master Indenture, as supplemented by the Supplemental Master Indenture. All Members of the Obligated Group will be required to make payments on Obligation No. 1 in an amount sufficient to pay the principal of and interest on the Series 2018B Bonds when due. Obligation No. 1 will rank on parity with any future Obligations to be issued under the Master Indenture. [discuss Obligations for Union Bank if applicable]

Limitations on Additional Indebtedness. The Corporation, and any future Member of the Obligated Group, may incur Additional Indebtedness (as defined in the Master Indenture), provided that the Obligated Group meets certain requirements prescribed by the Master Indenture. The Additional Indebtedness may be evidenced or secured by Obligations issued pursuant to the Master Indenture or as other Indebtedness and may be secured or unsecured. The Corporation, and any future Member of the Obligated Group, may also issue Obligations under the Master Indenture that secure obligations other than Indebtedness. Additional Obligations will be equally and ratably secured (except as described herein) with Obligation No. 1. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — The Master Indenture" herein. For a description of the financial tests and limits on Additional Indebtedness in the Master Indenture, see APPENDIX C — ["SUMMARY OF PRINCIPAL DOCUMENTS — MASTER INDENTURE — Particular Covenants of the Corporation and Each Member — Limitations on Additional Indebtedness"] hereto. [Upon issuance of the Series 2018B Bonds, and the application of the sale proceeds as discussed in "FINANCING PLAN" herein, the Obligated Group expects that Obligation No. 1 will be the only Obligation Outstanding under the Master Indenture.][TBC][placeholder for Union Bank obligations, if applicable] Indebtedness (including capitalized lease obligations) of the Corporation, in the approximate aggregate principal amount of $[Note: approximately $20.8 million], none of which is secured by any Obligations, also is expected to be Outstanding after the issuance of the Series 2018B Bonds. See APPENDIX A — "CERTAIN INFORMATION CONCERNING OROVILLE HOSPITAL — FINANCIAL INFORMATION — Capitalization" hereto.

Debt Service Coverage. The Master Indenture requires that the Obligated Group maintain an Annual Debt Service Coverage Ratio for each Fiscal Year, commencing with the fiscal year ending November 30, 20[__], of not less than 1.1 to 1.0. See APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS—MASTER INDENTURE—Rates and Charges, Debt Coverage." [consultant]

Days Cash on Hand. The Master Indenture requires that each Obligated Group Member manages it business such that Days Cash on Hand of the Obligated Group as a whole, calculated at the end of each Fiscal Year commencing with the Fiscal Year ending November 30, 2019, will not be less than [__] Days Cash on Hand. See APPENDIX C – "SUMMARY OF PRINCIPAL DOCUMENTS—MASTER INDENTURE—Days Cash on Hand."

Membership in Obligated Group. Subject to the conditions set forth in the Master Indenture, additional Members of the Obligated Group may be added from time to time and made jointly and severally liable with the Corporation with respect to Obligations (as defined in the Master Indenture) issued under the Master Indenture. Additionally, upon compliance with the conditions set forth in the Master Indenture, Obligated Group Members may withdraw from the Obligated Group from time to time and be released from all liability with respect to Obligations, including Obligation No. 1. See APPENDIX C — ["SUMMARY OF PRINCIPAL DOCUMENTS — MASTER INDENTURE — Particular Covenants of the Corporation and Each Member — Membership in Obligated Group," and "— Withdrawal From Obligated Group" hereto and "BONDHOLDERS' RISKS — Changes in Obligated Group"] herein.

Permitted Liens under the Master Indenture. In the Master Indenture, each Obligated Group Member will agree that it will not create, assume or suffer to exist any Lien upon its Property, and each Obligated Group Member, respectively, will further covenant and agree that if such a Lien is created, assumed or suffered to exist by any Obligated Group Member, such Member or the Obligated Group Representative will make or cause to be made effective a provision whereby all Obligations will be secured prior to any such Indebtedness or other obligation secured by such Lien; provided, however each Obligated Group Member may create, assume or suffer to exist Permitted Liens. For a description of the Permitted Liens that may, among other things, secure Indebtedness that is senior in priority to Obligation No. 1, see APPENDIX C — ["SUMMARY OF PRINCIPAL DOCUMENTS — DEFINITIONS OF CERTAIN TERMS — Master Indenture and Related Supplement No. 1 — Permitted Liens"] hereto.

Releases and Reconveyances under the Master Indenture. The Master Indenture provides that, upon written request of the Obligated Group Representative, without the necessity of obtaining consent or giving prior notice to any of the Holders, the Master Trustee shall execute and deliver releases, subordinations, reconveyances, termination statements or other instruments as may be reasonably requested by the Obligated Group Representative in connection with (1) the disposition of Property (including the [Deed of Trust Property], as defined below) in accordance with the provisions of the Master Indenture, (2) the withdrawal of an Obligated Group Member pursuant to the Master Indenture, (3) the granting by an Obligated Group Member of any Lien which constitutes a Permitted Lien and (4) the granting by an Obligated Group Member of any Lien on the proceeds of any grant, gift, bequest, contribution or other donation (and, to the extent subject to the applicable restrictions, the investment income derived from the investment of such proceeds) specifically restricted by the donor or grantor to an object or purpose inconsistent with their use for the payment of Required Payments ("Restricted Moneys"). See [APPENDIX C — "SUMMARY OF PRINCIPAL DOCUMENTS — MASTER INDENTURE — Particular Covenants of the Corporation and Each Member — [Deed of Trust]; Against Encumbrances"] hereto.

Security Interest in Gross Revenues and the Gross Revenue Fund. Pursuant to the Master Indenture, the Corporation pledges and assigns to the Master Trustee, and grants to the Master Trustee, in each case for the benefit of the Holders of Obligations issued under the Master Indenture and subject in all cases to Permitted Liens, a security interest in, all its right, title and interest, whether now owned or hereafter acquired, in and to the Gross Revenues and the Gross Revenue Fund and the proceeds thereof (the "Collateral"). "Gross Revenues" means all revenues, rents, profits, receipts, benefits, royalties, money and income received by or on behalf of the Corporation from any source, including, without limitation, (i) proceeds derived from the Corporation's rights under agreements with insurance companies, Medicare, Medi-Cal, governmental units and prepaid health organizations, including rights to Medicare and Medi-Cal loss recapture under applicable regulations and (ii) gifts, grants, bequests, donations, contributions and pledges to the Corporation and (iii) insurance proceeds or any award, or payment in lieu of an award, resulting from condemnation proceedings and (iv) all goods, inventory and other tangible and intangible property, and all proceeds from the rights to receive the foregoing, whether now owned or hereafter acquired by the Corporation and regardless of whether generated in the form of accounts, accounts receivable,

contract rights, chattel paper, documents, instruments, investment property, proceeds of insurance and all proceeds of the foregoing, whether cash or noncash; excluding, however, gifts, grants, bequests, donations, contributions and pledges to the Corporation heretofore or hereafter made, and the income and gains derived therefrom, which are specifically restricted by the donor or grantor to a particular purpose which is inconsistent with its use for payments required under the Master Indenture or on Indebtedness or operating expenses of the Corporation.

All of the Gross Revenues of the Corporation shall be deposited as soon as practicable upon receipt in one or more deposit account(s) or securities account(s) designated as the "Gross Revenue Fund" which the Corporation shall establish and maintain, subject to the provisions of the Master Indenture, at such banking institution or securities intermediary as the Corporation shall from time to time designate in writing to the Master Trustee for such purpose (the "Depository Bank(s)") and which has entered into one or more deposit account control agreement(s) (the "Account Control Agreement") with the Corporation and the Master Trustee.

Gross Revenues and amounts in the Gross Revenue Fund may be used and withdrawn by the Corporation at any time for any lawful purpose, except that on the event that the Corporation is delinquent for more than one business day in the payment of any Required Payment with respect to any Obligations issued pursuant to the Master Indenture, the Master Trustee, upon notice from the Corporation or the Bond Trustee or actual knowledge of such delinquency, shall notify the Corporation and the Depository Bank(s) of such delinquency, and exclusive control over the Gross Revenue Fund shall be exercised by the Master Trustee and as provided in the Account Control Agreement. During any period that the Gross Revenue Fund is subject to the exclusive control of the Master Trustee, the Master Trustee shall use and withdraw from time to time amounts in said fund, to make Required Payments as such payments become due (whether by maturity, prepayment, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Required Payments on any Obligations issued under the Master Indenture, ratably, without any discrimination or preference, and to such other payments in the order which the Master Trustee, in its discretion, shall determine to be in the best interests of the Holders of the Obligations issued under the Master Indenture, without discrimination or preference. During any period that the Gross Revenue Fund is subject to the exclusive control of the Master Trustee, the Corporation shall not be entitled to use or withdraw any of the Gross Revenues unless (and then only to the extent that) the Master Trustee in its sole discretion so directs for the payment of current or past due operating expenses of the Corporation; provided, however, that the Corporation shall be entitled to withdraw amounts not constituting Gross Revenues from the Gross Revenue Fund and may submit requests to the Master Trustee as to which expenses to pay out of Gross Revenues and in which order.

The security interest in Gross Revenues and the Gross Revenue Fund described above will be perfected, to the extent that such security interest may be perfected, under the UCC by filing and maintenance of UCC financing statements and by each Obligated Group Member entering into an Account Control Agreement. See "BONDHOLDERS' Risks — Risks Related to Enforceability of the Master Indenture, the Loan Agreement and Security — Enforceability of Lien on Gross Revenues and the Gross Revenue Fund" below.

See also APPENDIX C — ["SUMMARY OF PRINCIPAL DOCUMENTS — MASTER INDENTURE — Particular Covenants of the Corporation and Each Member — Gross Revenues Pledge"].

Perfection of a Security Interest in Gross Revenues and the Gross Revenue Fund. The Corporation, as the sole Member of the Obligated Group, will grant to the Master Trustee a security interest in all of the Gross Revenues of the Corporation and in the Gross Revenue Fund and agrees to perfect the grant of a security interest in the Gross Revenues to the extent, and only to the extent, that such security interest may be

perfected by filing and maintenance of financing statements under the UCC and by the Corporation entering into an Account Control Agreement. It may not be possible to perfect a security interest in any manner whatsoever in certain type of Gross Revenues (e.g., certain insurance proceeds and payments under Medicare and Medi-Cal programs) prior to actual receipt by the Corporation. The security interest of the Master Trustee may not be effective against third parties with perfected security interests. Even if perfected, the grant of a security interest in Gross Revenues may be subordinate to the interest and claims of others in several instances. Some examples of cases of subordination of prior interests and claims are (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment, including collateral assignment, in any federal statutes or regulations, (iv) constructive trusts, equitable liens or other rights imposed or conferred by any state or federal court in the exercise of its equitable jurisdiction, (v) federal or state bankruptcy laws that may affect the enforceability of the Master Indenture or grant of a security interest in Gross Revenues and (vi) liens on investments and investment accounts constituting Gross Revenues in favor of secured parties who have entered into control agreements with respect to such investments and investment accounts.

Replacement of Obligation No. 1. Under the circumstances described in the Bond Indenture, Obligation No. 1 may be exchanged by the Bond Trustee, without the consent of any of the Holders of the Series 2018B Bonds, for an obligation issued under a different master trust indenture securing obligations of a different obligated group that would include among its members the Corporation and any future Member of the Obligated Group. This could, under certain circumstances, lead to the substitution of different security in the form of an obligation backed by an obligated group that is financially and operationally different from the current Obligated Group. Such new obligated group could have substantial debt outstanding that would rank on a parity with the substitute obligation. In order to exchange Obligation No. 1, the Obligated Group must meet certain tests and requirements, as described in APPENDIX C — "SUMMARY OF PRINCIPAL DOCUMENTS — BOND INDENTURE — Replacement of Obligation No. 1." [summarize test?]

[**Deed of Trust**][TBC]

[The Corporation will execute and deliver a [Deed of Trust] (as supplemented, modified and/or amended from time to time, the "[Deed of Trust]"), to The Bank of New York Mellon Trust Company, N.A., as bond trustee, for the benefit of the Master Trustee, for the benefit of the Holders of the Obligations. Pursuant to the [Deed of Trust], the Obligated Group will grant to the Master Trustee, as security for the performance by the Members of the Obligated Group of their obligations under the Master Indenture, a lien on and security interest in the [the real property where the Project is located]. [*Note: Description of Deed of Trust to come.*].

No appraisal has been obtained with respect to the [Deed of Trust Property]. In addition, the [Deed of Trust] and the Master Indenture will permit portions of the [Deed of Trust Property] to be released from the lien of the [Deed of Trust] and the Master Indenture. No assurance can be given that the value of the [Deed of Trust Property], or the amounts received therefor upon any foreclosures of the [Deed of Trust], will be sufficient to pay the principal of, premium, if any, or interest on all Obligations. See [APPENDIX H — "SUMMARY OF [DEED OF TRUST]"] attached hereto.

For a discussion of risks that relate to mortgage security generally and the [Deed of Trust Property] in particular, see the heading ["BONDHOLDERS' RISKS — Risks Related to Enforceability of the Master Indenture, the Loan Agreement and Security — Risks Related to the [Deed of Trust] and the [Deed of Trust Property]"] herein.]

The Bond Indenture

Pledge under the Bond Indenture. Pursuant to the Bond Indenture, the City will pledge to secure the payment of the principal (and redemption price) of and interest on the Series 2018B Bonds in accordance with their terms and the provisions of the Bond Indenture, all of the Revenues and any other amounts (including proceeds of the sale of Bonds) held in any fund or account established pursuant to the Bond Indenture, excepting only moneys on deposit in the Rebate Fund. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Bond Trustee of the Series 2018B Bonds, without any physical delivery thereof or further act. The City will also transfer in trust, grant a security interest in and assign to the Bond Trustee, for the benefit of the Holders from time to time of the Series 2018B Bonds, all of the Revenues and other assets described in the preceding sentence and all of the right, title and interest of the City in the Loan Agreement (except for (i) the right to receive any Additional Payments or administrative fees and expenses to the extent payable to the City, (ii) any rights of the City to receive any amounts paid by the Corporation pursuant to certain provisions of the Loan Agreement relating to indemnification and the payment of fees, costs and expenses, (iii) the right of the City to enforce the special services covenant pursuant to the Loan Agreement, (iv) the right of the City to enforcement or inspection or to receive notice or opinions under the Loan Agreement and (v) the obligation of the Corporation to make deposits pursuant to the Tax Certificate) and in Obligation No. 1. See APPENDIX C — ["SUMMARY OF PRINCIPAL DOCUMENTS"] hereto.

Debt Service Reserve Fund. A Debt Service Reserve Fund will be established under the Bond Indenture. See the information herein under the caption "ESTIMATED SOURCES AND USES" herein and APPENDIX C — ["SUMMARY OF PRINCIPAL DOCUMENTS — BOND INDENTURE — Allocation of Revenues,"] and ["—Debt Service Reserve Fund"] hereto. On the date of issuance of the Series 2018B Bonds, proceeds of the Series 2018B Bonds in the amount of $[ ]* will be deposited in the Debt Service Reserve Fund, which amount is an amount equal to the Debt Service Reserve Fund Requirement. "Debt Service Reserve Fund Requirement" means the least of (i) the maximum amount of principal and interest which shall be payable during the current or any succeeding Bond Year on the Series 2018B Bonds then outstanding, (ii) an amount equal to 10% of the proceeds of the Series 2018B Bonds or (iii) calculated as of the date of issuance of the Series 2018B Bonds, an amount equal to 125% of the average annual debt service with respect to the Series 2018B Bonds then outstanding in the current and each succeeding Bond Year. The Debt Service Reserve Fund shall be held by the Bond Trustee solely as security for the Series 2018B Bonds as provided in the Bond Indenture. The moneys in the Debt Service Reserve Fund shall be used by the Bond Trustee only to make up deficiencies in the Interest Account or the Principal Account established under the Bond Indenture. See APPENDIX C — ["SUMMARY OF PRINCIPAL DOCUMENTS — BOND INDENTURE — Allocation of Revenues,"] and ["— Debt Service Reserve Fund"] hereto. Investment securities in the Debt Service Reserve Fund shall be valued by the Bond Trustee on the first Business Day of each Fiscal Year (the "Valuation Date"), on the basis of fair market value (which valuation shall take into account any accrued and unpaid interest). If on any Valuation Date the amount on deposit in the Debt Service Reserve Fund is less than 90% of the Debt Service Reserve Fund Requirement as of the Valuation Date as a result of a decline in the market value of investments on deposit in the Debt Service Reserve Fund, the Bond Trustee is required to give notice of such deficiency to the Corporation within five Business Days of the applicable Valuation Date. The Loan Agreement requires the Corporation to transfer to the Bond Trustee for deposit in the Debt Service Reserve Fund the amount necessary to restore the amount on deposit in the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement within 120 days following the date on which the Corporation receives notice of such deficiency. If at any time the amount on deposit in the Debt Service Reserve Fund is less than 100% of the Debt Service Reserve Fund Requirement as a result of the Debt Service Reserve Fund having been drawn upon, the Loan Agreement requires the Corporation to restore the amount on deposit in

* Preliminary, subject to change.

the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement by the deposit with the Bond Trustee of an amount equal to such deficiency in not more than twelve substantially equal monthly installments beginning with the twenty-fifth day of the sixth month after the month in which such draw occurred. Interest, profits and other income received from the investment of moneys in the Debt Service Reserve Fund (i) prior to the completion of the Project, shall be transferred when received to the Project Fund, and (ii) after the completion of the Project, shall be transferred when received to the Revenue Fund, in each case, provided that the Debt Service Reserve Fund Requirement would be met following the transfer.

In lieu of making a Debt Service Reserve Fund Requirement deposit in cash or in replacement of moneys then on deposit in the Debt Service Reserve Fund, the Corporation may, at any time and from time to time, deliver to the Bond Trustee an insurance policy or surety meeting the requirements described in the Bond Indenture (a "Reserve Facility") in an amount that, together with moneys, investments, or other Reserve Facilities then on deposit in the Debt Service Reserve Fund, is no less than the Debt Service Reserve Fund Requirement. Such Reserve Facility shall be issued by an insurance company whose unsecured debt obligations are rated at the time of delivery in one of the two highest Rating Categories by any of S&P Global Ratings, Moody's Investors Service, Fitch Ratings, Inc. or any national rating agency, and if such ratings are subsequently downgraded and no longer in one of the two highest Rating Categories by any of S&P Global Ratings, Moody's Investors Services, Fitch Ratings LLP or any national rating agency, the Corporation shall not be obligated to make deposits to the Debt Service Reserve Fund. Such Reserve Facility shall have a term ending no earlier than the final maturity of the Series 2018B Bonds and shall be non-cancellable. In the event that such Reserve Facility for any reason lapses or expires, the Loan Agreement requires the Corporation to restore the amount on deposit in the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement by the deposit with the Bond Trustee of an amount equal to such deficiency in not more than 12 substantially equal monthly installments beginning with the twenty-fifth day of the sixth month after the month in which such lapse occurred. See APPENDIX C — ["SUMMARY OF PRINCIPAL DOCUMENTS — BOND INDENTURE — Debt Service Reserve Fund" and "— LOAN AGREEMENT — Debt Service Reserve Fund."]

See APPENDIX C — ["SUMMARY OF PRINCIPAL DOCUMENTS — BOND INDENTURE — Project Fund"] and ["— Allocation of Revenues"] hereto.

The Loan Agreement

The City will lend the proceeds of the Series 2018B Bonds to the Corporation pursuant to the Loan Agreement. The Corporation will be obligated to repay the loan to the Bond Trustee, as the City's assignee, in accordance with the provisions of the Loan Agreement. See APPENDIX C — ["SUMMARY OF PRINCIPAL DOCUMENTS — LOAN AGREEMENT"] hereto.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each fiscal year ending November 30, the amounts required to be made available for the payment of principal and interest due on the Series 2018B Bonds at maturity (including Mandatory Sinking Account Payments). The table also includes debt service for each year ending November 30 on all debt previously issued for the benefit of the Corporation or incurred by the Corporation that will be outstanding upon the issuance of the Series 2018B Bonds.

[Remainder of Page Intentionally Left Blank]

	The Series 2018B Bonds				
Year Ending (November 30)	Principal	Interest	Total Debt Service	Total Debt Service on Outstanding Debt[(1)]	Aggregate Debt Service
20[ ]				$	
20[ ]					
20[ ]					
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20[ ]				0	
20[ ]				0	
Total				$	

(1) Includes: [TO BE UPDATED]. Debt service has been calculated in accordance with the Master Indenture. See APPENDIX A — "CERTAIN INFORMATION CONCERNING OROVILLE HOSPITAL— FINANCIAL INFORMATION" hereto. See also APPENDIX C — ["SUMMARY OF PRINCIPAL DOCUMENTS — MASTER INDENTURE"] hereto.

FINANCING PLAN

[Proceeds from the sale of the Series 2018B Bonds, together with other available funds, are expected to be used to (i) finance the Project, (ii) finance capitalized interest relating to the Project, (iii) fund the Debt Service Reserve Fund Requirement, and (iv) pay the costs of issuing the Series 2018B Bonds.] [*Note: To be updated in line with final plan of finance.*]

The Project

The Project is the construction of a new approximately 158,790 square foot, 5-story tower addition that will be connected to the existing Hospital on the south east side of the Hospital. The Project will expand the existing 133-bed acute care facility to a total of 211 beds. See APPENDIX A — "CERTAIN INFORMATION CONCERNING OROVILLE HOSPITAL — FACILITIES AND THE PROJECT — The Project."

ESTIMATED SOURCES AND USES*

The proceeds to be received from the sale of the Series 2018B Bonds are estimated to be applied as set forth below:

Sources of Funds:	
Par Amount of the Series 2018B Bonds	$
Net Original Issue Premium/Discount	
Total Sources	$
Uses of Funds:	
Deposit to Project Fund	$
Deposit to Capitalized Interest Fund	
Deposit to the Debt Service Reserve Fund	
[Refunding of Series 2018A Bonds]	
Costs of Issuance(1)	
Total Uses	$

(1) [Includes legal and accounting fees, City's issuer fee, Underwriter's discount, printing costs, rating agency fees, and other miscellaneous costs of issuance.]

INDEPENDENT ACCOUNTANT'S REPORT AND FEASIBILITY STUDY

[*To be confirmed.*] Wipfli issued an Independent Accountant's Report, dated [ ], 2018 (the "Report"), regarding the financial feasibility of the Project, including the proposed financing of the Project with proceeds from the sale of the Series 2018B Bonds, [other sources]. The Report is based on market and financial projections, as well as assumptions, provided by the Corporation, and the Report, together with such projections and assumptions of the Corporation is collectively referred to herein as the "Feasibility Study." The Feasibility Study is contained in Appendix G hereto and should be read in its entirety for a full understanding of the assumptions and rationale underlying the forecasts contained therein.

[The Feasibility Study was undertaken to evaluate the ability of the Corporation to meet its operating expenses, working capital needs and other financial requirements during the [ ] fiscal years

* Preliminary, subject to change.

ending November 30, 20[ ] and 20[ ], and contains information and data collected by the Corporation and forecasted financial information prepared by the Corporation. Wipfli analyzed the information and data contained in the Feasibility Study and performed certain other procedures in connection with issuing the Report. In the Report, Wipfli concludes that the forecasted financial information contained in the Feasibility Study is presented in conformity with guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants and that the assumptions underlying the forecasted financial information provide a reasonable basis for the forecasted financial information.

The estimates, opinions and conclusions expressed in the Feasibility Study should be read in their entirety. While Wipfli believes that the assumptions contained in the Feasibility Study are reasonable for purposes of the Feasibility Study, there usually will be differences between the forecasted results contained in the Feasibility Study and actual results, because events and circumstances may not occur as expected, and these differences may be significant and may be material.]

CONTINUING DISCLOSURE

[TO BE UPDATED]

Because the Series 2018B Bonds are limited obligations of the City, payable from amounts received from the Corporation or future Members of the Obligated Group, financial or operating data concerning the City is not material to an evaluation of the offering of the Series 2018B Bonds or to any decision to purchase, hold or sell the Series 2018B Bonds. Accordingly, the City is not providing any such information. The Corporation has undertaken all responsibilities for any continuing disclosure to Holders of the Series 2018B Bonds, as described below, and the City shall have no liability to the Holders of the Series 2018B Bonds or any other person with respect to Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule").

The Corporation, on behalf of the Obligated Group, will enter into a continuing disclosure agreement (the "Continuing Disclosure Agreement"), in which it will covenant for the benefit of Holders and Beneficial Owners of the Series 2018B Bonds to provide [ ], as dissemination agent, for dissemination (a) certain financial information and operating data relating to the Corporation (as described in the Continuing Disclosure Agreement) by not later than 150 days after the end of the Corporation's fiscal year (which fiscal year currently ends on November 30), commencing with the report for the fiscal year ending November 30, 2018 (the "Annual Report"), (b) certain financial information relating to the Corporation by not later than 60 days after the end of each of the first three fiscal quarters of the Corporation's fiscal year, commencing with the fiscal quarter ended February 28, 2019 and (c) notices of the occurrence of certain enumerated events. The Annual Report, quarterly information and notices of certain enumerated events will be filed by the dissemination agent on behalf of the Corporation in readable PDF or other acceptable electronic form with the Electronic Municipal Market Access system of the Municipal Securities Rulemaking Board. [The specific nature of the information to be contained in the Annual Report, the quarterly reports and the notices of material events is described in APPENDIX D — ["FORM OF CONTINUING DISCLOSURE AGREEMENT."] These covenants have been made in order to assist the Underwriter in complying with the Rule.

Failure by the Corporation to comply with the provisions of the Continuing Disclosure Agreement will not constitute an event of default under the Master Indenture, the Bond Indenture or the Loan Agreement and Holders and Beneficial Owners of the Series 2018B Bonds are limited to the remedies described in APPENDIX D — ["FORM OF CONTINUING DISCLOSURE AGREEMENT."] Any failure by the Corporation to comply with the provisions of the Continuing Disclosure Agreement is required to be reported in accordance with the Rule and is required to be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2018B Bonds in the secondary

market. Consequently, any such failure may adversely affect the transferability and liquidity of the Series 2018B Bonds and their market price.

[*Note: Summary paragraph of compliance with prior CDAs to be included here, as applicable.*]

BONDHOLDERS' RISKS

[TO BE FURTHER UPDATED]

The purchase of the Series 2018B Bonds involves investment risks that are discussed throughout this Official Statement. Prospective purchasers of the Series 2018B Bonds should evaluate all of the information presented in this Official Statement. This section, titled "BONDHOLDERS' RISKS," describes some, but not all, of the risks that could affect the Series 2018B Bonds and the future financial condition of the Corporation, and focuses primarily on the general risks associated with hospitals and health care providers. APPENDIX A describes the Corporation specifically. These should be read together, in each case, as of the date hereof.

General

The Series 2018B Bonds are limited obligations of the City, payable solely from Revenues, which consist primarily of Loan Repayments made by the Corporation pursuant to the Loan Agreement, payments made pursuant to Obligation No. 1, and interest, profits or other income from the investment of certain funds held under the Bond Indenture, and from certain funds held under the Bond Indenture. No representation or assurance can be made that revenues will be realized by the Obligated Group in amounts sufficient to pay principal of and interest on the Series 2018B Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein.

The Corporation is subject to a wide variety of federal and state regulatory actions and legislative and policy changes by those governmental and private agencies that administer Medicare, Medicaid and other payors and are subject to actions by, among others, the National Labor Relations Board, the Centers for Medicare and Medicaid Services ("CMS") of the United States Department of Health and Human Services ("DHHS"), the Attorney General of the State of California, and other federal, state and local government agencies and accrediting organizations. The ability of the Corporation to generate revenues and its overall financial condition may be adversely affected by, among other things, changes in the method, timing and amount of payments for healthcare services to the Corporation by governmental and nongovernmental payors, the financial viability of these payors, and increased competition from other health care entities. In addition, the tax-exempt status of the Corporation could be adversely affected by, among other things, an adverse determination by a governmental entity, noncompliance with governmental regulations or legislative changes, including changes resulting from current health reform legislation or initiatives. Loss of tax-exempt status by the Corporation could adversely affect the tax-exempt treatment of interest on the Series 2018B Bonds and the cash flow of the Corporation.

Future economic conditions, which may include an inability to control expenses in periods of inflation, and other conditions, including demand for healthcare services, the availability and affordability of insurance, including, without limitation, malpractice and casualty insurance, the availability of nursing and other professional personnel, the capability of the management of the Corporation, philanthropy and equity from operations, competition from other health care institutions in the service area, together with changes in rates, costs, third-party payments and governmental laws, regulations and policies, may adversely affect revenues and expenses and, consequently, the ability of the Corporation or any Obligated Group Member to make payments under the Loan Agreement and on Obligation No. 1.

Significant Risk Areas Summarized

Certain of the primary risks associated with the Series 2018B Bonds and with the operations of the Corporation are briefly summarized in general terms below and are explained in greater detail in subsequent sections. The occurrence of one or more of these risks could have a material adverse effect on the financial conditions and results of operations of the Corporation.

Federal Legislative and Regulatory Initiatives. Several of the federal statutes and regulations described herein may be substantially modified or repealed in whole or in part. The President and Republican leaders of Congress have continually expressed their support of and commitment to regulatory modification or repeal, examples of which include the enactment of comprehensive tax reform legislation in late December 2017 (see "— Tax Reform" below) and proposed legislation relating to health care and the rollback of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). Future legislation could include further repeal or revision of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively referred to herein as the "ACA") and financial services reform. Legislation relating to such key areas (if introduced and passed) could have a material impact on the Corporation's operations, financial condition and financial performance. In addition, regulatory changes through adoption or repeal and executive actions taken by the President could materially impact the Corporation's operations, financial condition and financial performance, even in the absence of statutory changes. Accordingly, the risk areas summarized under this caption "BONDHOLDERS' RISKS" may undergo significant change in the near term.

Federal Health Care Reform and Deficit Reduction. The ACA was enacted in March 2010 and its constitutionality has been challenged in courts around the country. In June 2012, the U.S. Supreme Court upheld most provisions of the ACA, including the "individual mandate," while limiting the power of the federal government to penalize states for refusing to expand Medicaid. The individual mandate took effect in 2014 and requires generally that individuals either have a certain amount of health insurance coverage or pay a penalty. In June 2015, the U.S. Supreme Court upheld U.S. Treasury Regulations issued under the ACA that allow health insurance exchange purchasers to receive tax-credit subsidies, regardless of whether the purchase is made through a federal or state-operated exchange.

The ACA and ensuing legislation address almost all aspects of hospital and provider operations and health care delivery and are changing how health care services are covered, delivered and reimbursed. These changes are prompting implementation of new payment models, utilization changes and increased government enforcement and are causing health care providers to assess, and potentially alter, their business strategy and practices. While most providers are receiving reduced payments for care, millions of previously uninsured Americans have health insurance coverage. "Health insurance exchanges" have altered the health insurance market and negatively affected health care providers by enabling insurers to more aggressively negotiate lower reimbursement rates. Federal deficit reduction efforts have curbed and will likely continue to further slow the growth of federal Medicare and Medicaid spending to the detriment of hospitals, physicians and other health care providers. See "Health Care Reform" herein.

As noted above under "Federal Legislative and Regulatory Initiatives," the President and certain Congressional leaders have expressed continued commitment to repeal all or a portion of the ACA and eliminate federal funding for certain provisions of the ACA. The repeal and defunding effort, to date, has focused on individual and employer mandates, exchanges, insurance industry regulations, Medicaid expansion, and the taxes to pay for these elements of the ACA. A repeal and/or defunding could result in additional pressure on Medicaid and Medicare funding and could have the effect of reducing the availability of health insurance to individuals who were previously insured, resulting in greater numbers of uninsured individuals (see "— Tax Reform" below). The Congressional Budget Office ("CBO") and the staff of the

Joint Committee on Taxation have projected that significantly more people would be uninsured under the proposed ACA replacement plans than under current law.

Tax Reform. On December 22, 2017, the President signed into law "H.R. 1 — An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2017," (the "Tax Cuts and Jobs Act"). The Tax Cuts and Jobs Act lowered corporate and individual tax rates and eliminated certain tax preferences and other tax expenditures. The Tax Cuts and Jobs Act also repealed, effective 2019, the penalties associated with failure to comply with the ACA's individual mandate. Such repeal may result in a higher uninsured rate, which may adversely affect the financial condition of the Members of the Obligated Group. The Tax Cuts and Jobs Act also eliminates the issuance of tax-exempt bonds to advance refund outstanding tax-exempt bonds; imposes an excise tax on exempt entities' executive compensation in excess of $1,000,000 per year; requires that the tax on an exempt organization's unrelated business income be computed separately for each line of business; requires the inclusion of certain fringe benefits in the calculation of unrelated business income tax; and limits the use of net operating losses in computing unrelated business income tax, each of which may, collectively or individually, adversely affect the financial condition or operations of the Corporation.

Reliance on Medicare and State Medicaid Program. Federal deficit reduction efforts will likely curb federal Medicare and Medicaid spending further to the detriment of hospitals, physicians and other health care providers. Inpatient hospitals rely to a high degree on payment from the federal Medicare program. Future changes to the underlying law and regulations affecting the Medicare program, as well as in payment policy and timing, create uncertainty and could have a material adverse impact on the Corporation's payment stream from Medicare. California's Medi-Cal and other state health care programs are an important payor source for the Corporation. These programs often pay hospitals, physicians and other health care providers at levels that are substantially below the actual cost of the care provided or shift risk to the health care providers through capitation contracts. Because Medicaid and other state health care programs are partially funded by states, the financial condition of states could affect funding levels and/or cause payment delays.

Nonprofit Health Care Environment. The tax-exempt status afforded to nonprofit hospitals is increasingly being threatened. The tax benefits received by nonprofit, tax-exempt hospitals may cause the business practices of such hospitals, the persons who are in a position to exercise substantial influence over the hospitals, and joint venture affiliates to be subject to scrutiny by public officials and the press, and to legal challenges of the ongoing qualification of such organizations for tax-exempt status. Challenges to entitlement to exemption of property from real property taxation have succeeded from time to time. Multiple governmental authorities, including state attorneys general, the Internal Revenue Service (the "IRS"), Congress and state legislatures have held hearings and carried out audits regarding the conduct of tax-exempt organizations, including tax-exempt hospitals. IRS reviews may result in the imposition of intermediate sanctions or proceedings to revoke a hospital's tax-exempt status. These efforts will likely continue in the future. Citizen organizations, such as labor unions and patient advocates, have also focused public attention on the activities of tax-exempt hospitals and raised questions about their practices.

Rate Pressure from Insurers and Purchasers. Certain health care markets are strongly impacted by large health insurers and, in some cases, by major purchasers of health services. In those areas, health insurers may have significant influence over the rates, utilization and competition of hospitals and other health care providers. Rate pressure imposed by health insurers or other major purchasers, including managed care payors, may have a material adverse impact on health care providers, particularly if major purchasers put increasing pressure on payors to restrain rate increases. In addition, disputes with non-contracted payors are increasing and may result in an inability to collect billed charges from these payors.

Construction Risks. The design, development and construction of hospital facilities are susceptible to various risks and uncertainties including delays, cost increases and permitting issues.

Suitability of Investment

An investment in the Series 2018B Bonds involves a material degree of risk. Prospective investors should carefully examine this Official Statement, including the Appendices hereto, and their own financial condition, as well as consult their own independent legal and financial advisors, in order to make a judgment as to their ability to bear the economic risk of such an investment, and to determine whether or not the Series 2018B Bonds are an appropriate investment for them. The Series 2018B Bonds are not being registered under the Securities Act or qualified under any state securities laws.

Construction and Funding Risk

The Project is complex, with construction expected to take place [over a number of years] and to involve a significant budget. [The Project is expected to be completed and a certificate of occupancy issued by [ ]]. [The cost of the Project is expected to be funded from a number of sources, including: proceeds of the Series 2018B Bonds, [the proceeds of certain prior bonds], philanthropy, and equity from operations.] For more information about the Project and the funding sources for the Project, see "FINANCING PLAN" herein and APPENDIX A — "CERTAIN INFORMATION CONCERNING OROVILLE HOSPITAL — FACILITIES AND THE PROJECT — Funding the Project" hereto. The ability of the Corporation to complete the Project on budget and within anticipated timeline could be negatively impacted by a variety of risks, including, but not limited to, tariffs, inflation of construction or raw materials costs; delays in issuance of required building permits or other necessary approvals or permits, including environmental and design approvals; additional design changes mandated by OSHPD; unforeseen environmental, engineering or geological problems; changes required by governmental or regulatory authorities; labor strikes or disruption; shortages of materials and labor; adverse weather conditions; fire or natural disasters; disruption of existing operations and facilities; change orders; changes in scope of development; or plan or specification modification. See APPENDIX A — "CERTAIN INFORMATION CONCERNING OROVILLE HOSPITAL — FACILITIES AND THE PROJECT" hereto for further information about the Project and related risks.

There is no guarantee that the Project will be completed on budget or within anticipated timelines. Construction delays could occur, and the Corporation's recourse generally is limited to seeking monetary damages. There can be no assurance that events will not occur that would result in increases to the cost of completing the Project or the compensation payable to contractors that exceed amounts budgeted. Furthermore, there can be no assurance that the Corporation will have sufficient funds to pay costs in excess of amounts that are budgeted.

[*Note: Sample Language; Inclusion TBD*] [In addition, philanthropy is expected to provide additional funding toward the Project. As of the date of this Official Statement, a significant portion of philanthropy relates to pledges and to future fundraising. Time and expense would be required to enforce any unfulfilled pledge. In addition, the ability of the Corporation to successfully accomplish its fundraising goals could be adversely affected by a number of future events, including, but not limited to, an economic downturn or fluctuations in the capital markets. The Corporation also expects to fund an additional portion of the Project from equity generated from operations. As discussed in this Official Statement, the ability of the Corporation to generate revenues from operations could be materially adversely affected by many factors, some of which are described in this section titled "BONDHOLDERS' RISKS." See also APPENDIX A — "CERTAIN INFORMATION CONCERNING OROVILLE HOSPITAL" hereto.]

Completion of the Project depends on performance by third parties of their obligations under various construction-related contracts. If these parties do not perform their obligations, if construction and design are not adequately coordinated, if disputes arise between parties or if third parties are excused from performance of their obligations because of non-performance by the Corporation or events of *force majeure*, the Corporation may not be able to acquire substitute services on substantially the same terms and conditions, if at all, or may be required to incur greater construction costs, which may adversely affect the Corporation's ability to complete the Project within the projected budget or on schedule. These events additionally could adversely impact the Corporation's ability to make payments with respect to the Series 2018B Bonds. This Official Statement contains no financial information with respect to the various parties to the construction-related contracts. As a result, in making an investment decision with respect to the Series 2018B Bonds, a purchaser can have no assurance, based on the information provided in this Official Statement, that any third party will have the ability to meet its obligations under the agreements to which it is a party.

[OSHPD has approved the design of the Project.][tbc] Unexpected changes required by local, state or federal regulatory authorities (including, but not limited to, the City and OSHPD) could impose significant additional costs and delay the scheduled completion of the Construction Projects.

[In addition, although the Project is intended to have minimal impact on ongoing operations of the Corporation][tbc], no assurances can be given that implementation of the Project will not disrupt the ongoing operations of the Hospital. Therefore, the construction of the Project may adversely impact the business, operations and revenues of the Corporation during the period of implementation.

There is also a particularly acute risk of cost overruns, scope of work revisions and inadequate initial estimates of cost or schedule of completion. The occurrence of any of these could result in further delayed compliance and possibly the Corporation being required to cease operations at the Hospital. The failure to complete the Project as planned, within anticipated timelines would have a material adverse effect on the Corporation's results of operations and financial condition, as well as its ability to make payments with respect to the Series 2018B Bonds.

For a description of the Corporation's planned construction projects, see APPENDIX A — "CERTAIN INFORMATION CONCERNING OROVILLE HOSPITAL — FACILITIES AND THE PROJECT — The Project."

Changes in Obligated Group

As of the date of this Official Statement, the Obligated Group is expected to be composed solely of the Corporation, but the Master Indenture provides that other entities may be admitted to the Obligated Group from time to time upon the satisfaction of certain conditions. Changes to the composition of the Obligated Group may result in an Obligated Group that is financially and operationally different from the current Obligated Group. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — The Master Indenture — Replacement of Obligation No. 1" above.

Risks Related to Enforceability of the Master Indenture, the Loan Agreement and Security

Risks Related to Master Indenture Financings. There are circumstances under which it is possible that the Master Indenture would not be enforced by courts, especially as to future Members of the Obligated Group. Additionally, there are a number of circumstances under which the security interests or the lien of the [Deed of Trust Property] may not be enforced or may be subordinated to the claims of others. Some of these risks are discussed below.

Enforceability of the Master Indenture, the Loan Agreement and Obligation No. 1. The legal right and practical ability of the Bond Trustee to enforce its rights and remedies against the Corporation under the Loan Agreement and related documents and of the Master Trustee to enforce its rights and remedies against the Corporation under the Master Indenture and Obligation No. 1 may be limited by laws relating to bankruptcy, insolvency, reorganization, fraudulent conveyance or moratorium and by other similar laws affecting creditors' rights. In addition, the Bond Trustee's and the Master Trustee's ability to enforce such terms will depend upon the exercise of various remedies specified by such documents which may in many instances require judicial actions that are often subject to discretion and delay or that otherwise may not be readily available or may be limited.

The obligation described herein of the Obligated Group to pay amounts due on Obligation No. 1 (see "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS") may not be enforceable under any of the following circumstances:

(i) to the extent payments on Obligation No. 1 are requested to be made from assets of the Obligated Group that are donor-restricted or that are subject to a direct, express or charitable trust that does not permit the use of such assets for such payments (or equivalent terms or conditions that might limit recourse to assets);

(ii) if the purpose of the debt created and evidenced by Obligation No. 1 is not consistent with Section 501(c)(3) purposes of the Obligated Group Member from which such payment is requested or required;

(iii) to the extent payments on Obligation No. 1 would result in the cessation or discontinuation of any material portion of the health care or related services previously provided by the Obligated Group; or

(iv) if and to the extent payments are requested to be made pursuant to any loan violating applicable usury laws.

These limitations on the enforceability of the obligation of the Obligated Group on Obligation No. 1 also apply to its obligations with respect to any future Obligations issued under the Master Indenture. If the obligation to make a required payment on an Obligation is not enforceable and such payment is not made on such Obligation when due in full, subject in some cases to grace and notice periods, then an Event of Default will arise under the Master Indenture.

In addition, common law authority and authority under state statutes may give courts in such states the ability to terminate the existence of a nonprofit corporation or undertake supervision of its affairs on various grounds, including a finding that such corporation has insufficient assets to carry out its stated charitable purposes. Such court action may arise on the court's own motion or pursuant to a petition of the attorney general of such states or such other persons who have interests different from those of the general public, pursuant to the common law and statutory power to enforce charitable trusts and to see to the application of their funds to their intended charitable uses.

The various legal opinions delivered concurrently with the issuance of the Series 2018B Bonds are qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings, policy and decisions affecting remedies and by bankruptcy, reorganization or other laws of general application affecting the enforcement of creditors' rights or the enforceability of certain remedies or document provisions.

For a further description of the provisions of the Master Indenture and the Loan Agreement, see APPENDIX C — "SUMMARY OF PRINCIPAL DOCUMENTS" hereto.

Enforceability of Lien on Gross Revenues and the Gross Revenue Fund. The Corporation will grant a security interest in its Gross Revenues and the Gross Revenue Fund (as described herein) to the extent the same may be pledged and a security interest granted therein under the UCC. To the extent that Gross Revenues are derived from payments by the federal government under the Medicare or Medicaid program, any right of the Master Trustee to receive such payments directly may be unenforceable. The Social Security Act and state regulations prohibit anyone other than the individual receiving care of the institution providing service from collecting Medicare and Medicaid payments directly from the federal or state government. In addition, Medicare and Medicaid revenues may be subject to provisions of the Assignment of Claims Act of 1940, which restricts the ability of a secured party to collect amounts directly from government agencies. With respect to revenues not subject to the lien, or where such lien was unenforceable, the Master Trustee would occupy the position of an unsecured creditor. The prior grant of a security interest in Gross Revenues and the Gross Revenue Fund may be subordinated to the interest and claims of others in several instances, including, but not limited to: (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, and (v) federal or state bankruptcy laws that may affect the enforceability of the Master Indenture or the grant of a security interest in Gross Revenues and the Gross Revenue Fund. In addition, it may not be possible to perfect a security interest in any manner whatsoever in certain types and material amounts of Gross Revenues (e.g., gifts, donations, grant proceeds, certain insurance proceeds, Medicare, Medicaid and Medi-Cal payments).

Risks Related to the [Deed of Trust] and the [Deed of Trust Property]. [*Note: Sample language; Inclusion TBD*] [Under the Master Indenture and the [Deed of Trust], the Corporation and any future Member of the Obligated Group may encumber or permit encumbrance of the [Deed of Trust Property] by Permitted Liens. Permitted Liens on the [Deed of Trust Property] having priority over the lien created by the [Deed of Trust] may reduce the amount that can be realized by the Master Trustee in the event of a foreclosure on the [Deed of Trust Property]. The Corporation has obtained a title policy issued to the Master Trustee to provide confirmation of the creation of the liens on the [Deed of Trust Property] created by the [Deed of Trust].

No appraisal of the [Deed of Trust Property] was completed in connection with the title policy issued to the Master Trustee. No assurance can be given that the value of the [Deed of Trust Property], or the amounts received therefor upon any foreclosures of the [Deed of Trust], will be sufficient to pay the principal of, premium, if any, or interest on all Obligations. Purchasers of the Series 2018B Bonds should not rely on title insurance as a source of recovery in the event that the Master Trustee is unable for any reason related to the condition of title to realize value from the [Deed of Trust Property] when exercising remedies for an Event of Default under the Master Indenture. The [Deed of Trust Property] is not comprised of general purpose buildings and would not generally be suitable for industrial or commercial use. Consequently, it would be difficult to find a buyer for the [Deed of Trust Property] if it were necessary to foreclose on the [Deed of Trust Property]. Thus, upon any default, it may not be possible to realize the outstanding interest on and principal of the Series 2018B Bonds from a sale of the [Deed of Trust Property]. In order to operate the [Deed of Trust Property] as health care facilities under present law, a purchaser of the [Deed of Trust Property] at a foreclosure sale would have to obtain approval of the California Department of Health and the California Attorney General and licenses for the related facilities. Under applicable federal and state environmental statutes, in the event of part or future releases of pollutants or contaminants on or near the [Deed of Trust Property], a lien superior to the [Deed of Trust] could attach to the [Deed of Trust Property] to secure the costs of removing or otherwise treating pollutants or contaminants.

Such a lien would adversely affect the ability of the Master Trustee to realize sufficient amounts to pay the Series 2018B Bonds in full and any additional Obligations secured by the Master Indenture going forward. Furthermore, in determining whether to exercise any foreclosure rights with respect to the [Deed of Trust Property], the Master Trustee may be required to take into account the potential liability of any owner of the [Deed of Trust Property], including an owner by foreclosure, for clean-up costs with respect to such pollutants and contaminants. [No environmental assessment of the [Deed of Trust Property] was made prior to the issuance of the Series 2018B Bonds.][*Note: To be confirmed.*]

See APPENDIX A — "CERTAIN INFORMATION CONCERNING OROVILLE HOSPITAL — FACILITEIS AND THE PROJECT — The Project" and "— Funding the Project" hereto.

Bankruptcy. In the event of bankruptcy of the Corporation, the rights and remedies of the Holders of the Series 2018B Bonds are subject to various provisions of the federal Bankruptcy Code. If the Corporation were to file a petition in bankruptcy, payments made by the Corporation during the 90-day (or, in some cases involving payments to "insiders," one year) period immediately preceding the filing of such petition may be avoidable as preferential transfers to the extent such payments allow the recipients thereof to receive more than they would have received in the event of the Corporation's liquidation. Such a bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the Corporation and its property [(including the [Deed of Trust Property])] and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over such property, as well as various other actions to enforce, maintain or enhance the rights of the Bond Trustee. If the bankruptcy court so ordered, the property of the Corporation, including the Gross Revenues, could be used for the financial rehabilitation of the Corporation, despite any security interest of the Bond Trustee or the Master Trustee therein. The rights of the Bond Trustee and the Master Trustee to enforce their respective security interests and other liens could be delayed during the pendency of the rehabilitation proceeding.

The Corporation could file a plan for the adjustment of its debts in any such proceeding, which could include provisions modifying or altering the rights of creditors generally or any class of creditors, whether secured or unsecured. The plan, when confirmed by a court, binds all creditors who had notice or knowledge of the plan and, with certain exceptions, discharges all claims against the debtor to the extent provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are conditions that the plan be feasible and that it shall have been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in the dollar amount and more than one-half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

In addition, the obligations of the Corporation under the Loan Agreement and under the Master Indenture are not secured by a lien on or security interest in any assets or revenues of the Corporation or any other entity, other than the lien on Gross Revenues and the Gross Revenue Fund described under the caption "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — The Master Indenture" and the lien on the [Deed of Trust Property] described under "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — [Deed of Trust]." Except with respect to the lien on Gross Revenues and the Gross Revenue Fund and the [Deed of Trust Property], in the event of a bankruptcy of the Corporation, Bondholders would be unsecured creditors and, generally speaking, on a parity with all other unsecured creditors.

In the event of bankruptcy of the Corporation, there is no assurance that certain covenants, including tax covenants, contained in the Loan Agreement or certain other documents would survive. Accordingly, a bankruptcy trustee could take action that would adversely affect the exclusion of interest on

the Series 2018B Bonds from gross income of the Holders for federal income tax purposes and exemption of interest on the Series 2018B Bonds from State personal income taxes.

Other Sources of Funds

[*Note: To be confirmed.*]

[By the closing of the Series 2018B Bonds, the Corporation will have secured financing as described herein to provide funds to pay a portion of the costs of the Project. The Corporation intends to fund the balance of the cost of the Project from a variety of sources, including philanthropy and equity from operations of the Corporation. There can be no assurances that the Corporation will obtain sufficient moneys for the purpose of funding the balance of the costs of the Project. If the Corporation is unable to obtain the funds for the balance of the costs of the Project, the Project may be delayed or may not be completed, which would have a material adverse impact on the results of operations and financial condition of the Corporation.]

Financial Projections

The projections, assumptions and estimates used by Wipfli in preparing the Feasibility Study with respect to the Corporation's future revenues and operating expenses are based upon the Corporation's judgment as of the date of this Official Statement concerning future operations of the Corporation that it believes are relevant and accurate, but no representation is made, nor should any be inferred, with respect to the likely existence or occurrence of any particular fact or set of facts and circumstances. For a discussion of the projections, assumptions and estimates, see "INDEPENDENT ACCOUNTANT'S REPORT AND FEASIBILITY STUDY" attached hereto as Appendix G. All projections of future operations and economic results thereof included in the Feasibility Study have been prepared by the Corporation and compiled by Wipfli, and neither the Underwriter nor the Corporation's independent auditors have examined or compiled the projections and accordingly, do not express any opinion or any other form of assurance with respect thereto. After the issuance of the Series 2018B Bonds, none of the Corporation, Wipfli or any other person has any obligation to, nor do they intend to, provide the Bond Trustee or the holders of the Series 2018B Bonds with updated reports or revised projections comparing the projections in the Feasibility Study with actual operating results. Accordingly, no assurances can be given that the projections will be achieved or that the beliefs and forward-looking statements expressed herein or in the Feasibility Study will correspond to actual results.

There can be no assurances that the future revenues and operating expenses of the Corporation will be in line with these estimates and projections, and actual results may differ materially. If these assessments are incorrect, the circumstances could result in reduced or unrealized Revenues, which could have a materially adverse effect on the ability of the Corporation to make full and timely payment of the Series 2018B Bonds. The projections constitute "forward-looking statements" (see "CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT" on the inside front cover of this Official Statement), and as such may involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and achievements to be different from the future results, performance or achievements expressed or implied by such forward-looking statements.

Impact of General Economic Factors

The disruption of the credit and financial markets in 2008 resulted in volatility in the securities markets, limitations on access to credit, significant losses in investment portfolios, aberrant fluctuations in interest rates, increased business failures and consumer and business bankruptcies. In response, Congress

enacted various reform and recovery legislation, including the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"), the Dodd-Frank Act, and the Budget Control Act of 2011 (the "Budget Control Act").

[The Corporation will incur significant capital expenditures in order to complete the improvements contemplated in connection with the Project. The current conditions in credit markets may cause the Corporation's ability to borrow to fund capital expenditures to be more limited and more expensive.][*Note: Corporation to confirm.*]

The health care sector, including both the health insurance industry and health care providers, was not immune to the disruption of the credit and financial markets. Unfavorable economic conditions caused employers to stop offering certain health care coverage as an employee benefit or to offer coverage on a voluntary, employee-funded basis as a means to reduce operating costs. In addition, unemployment rates were higher than historic norms, which impacted the demand for private health insurance products. The market turmoil also increased stresses on the budgets of states such as California, which resulted in reductions in Medicaid payment rates and delays of payment of amounts due under Medicaid and other state or local payment programs.

Additional legislation and regulatory action, as well as repeal of certain legislation enacted in response to the disruption of the credit and financial markets, continues to be considered by Congress, various federal agencies and foreign governments. The effects of these legislative, regulatory and other governmental actions, including implementation or repeal of the Dodd-Frank Act, upon the Corporation, its respective access to credit and its investment portfolio is uncertain.

Debt Limit Increase

The federal government is subject to a debt "ceiling" established by Congress, i.e., a limit on the amount of debt that may be issued by the United States Treasury. In the past several years, there have been political disputes concerning authorization of an increase in the federal debt ceiling, which have led to potential shutdowns of substantial portions of the federal government. Any failure by Congress to increase the federal debt limit may affect the federal government's ability to incur additional debt, pay its existing debt instruments and satisfy its obligations relating to the Medicare and Medicaid programs.

Any future failure to increase the federal debt limit could have a material adverse effect on the financial condition of the health care industry and the Corporation. In addition, the market price or marketability of the Series 2018B Bonds in the secondary market could be materially adversely affected by any failure to increase the federal debt limit.

Federal Budget Cuts

Federal deficit reduction efforts have slowed the growth of federal Medicare and Medicaid spending. In August 2011, the Budget Control Act was signed into law, which raised the debt ceiling and, through several complex mechanisms, reduces net federal spending by $2.1 trillion over ten years. The Budget Control Act mandated significant reductions and spending caps on the federal budget for fiscal years 2012-2021. The Budget Control Act also created a Joint Select Committee on Deficit Reduction, which failed to develop a plan to further reduce the federal deficit by $1.5 trillion on or before November 23, 2011. The Budget Control Act, therefore, mandated a 2% reduction in Medicare spending, among other reductions.

The Bipartisan Budget Act of 2013 extended the 2% reduction to Medicare providers and insurers at least through March 31, 2024, subject to additional Congressional action. On November 2, 2015,

President Obama signed into law the Bipartisan Budget Act of 2015 (the "BBA 2015"), which increased the discretionary spending caps imposed by the Budget Control Act for federal fiscal years 2016 and 2017, authorized $80 billion in increased spending over the two years, and extended the 2% reduction to Medicare providers, to at least March 31, 2025. Certain commercial Medicare Advantage plans are passing this 2% reduction on to health care providers. The Bipartisan Budget Act of 2018 raised caps on discretionary spending by $296 billion over the next two years and waived limits on federal borrowing until March 1, 2019.

It is possible that Congress will take additional action to eliminate some or all of the reductions in the future, and any Congressional action could be made retroactive in order to eliminate some or all of the cuts that were imposed. However, there is no certainty that Congress will take any action. Absent further Congressional action, these automatic spending cuts will become permanent. Because Congress may make changes to the budget in the future, it is impossible to predict the impact any spending cuts may have on the Obligated Group. Similarly, it is impossible to predict whether any automatic reductions to Medicare may be triggered in lieu of other spending cuts that may be proposed by Congress. Any further reduction in Medicare and/or Medicaid spending under either scenario, may have a material adverse effect upon the operations, financial condition and financial performance of the Corporation. Ultimately, these reductions or alternatives could have a disproportionate impact on hospital providers and could have a material adverse effect on the operations, financial condition and financial performance of the Corporation.

Health Care Reform

Federal Health Care Reform. The discussion herein describes risks associated with certain existing federal and state laws, regulations, rules, and governmental administrative policies and determinations to which the Corporation and the healthcare industry are subject. While these are regularly subject to change, many of the existing provisions were enacted by or promulgated pursuant to the ACA, to which opposition has been expressed by the President, as well as the majority leaders of each chamber of Congress and members of their caucuses. It is not possible to predict with any certainty whether or when the ACA or any specific provision or implementing measure will be repealed, withdrawn or modified in any significant respect, but a unified administration and majority in both chambers of Congress could enact legislation, withdraw, modify or promulgate rules, regulations and policies, or make determinations affecting the healthcare industry and the Corporation, any of which individually or collectively could have a material adverse effect on the operations, financial condition and financial performance of the Corporation.

Because of executive actions taken by the President with respect to the ACA, potential challenges by states to such executive actions and continuing efforts by Congress to modify the ACA, there is significant uncertainty as to whether the ACA will continue to be implemented, funded and enforced as originally enacted. The discussion that follows should be read in conjunction with the discussion under "Federal Legislative and Regulatory Initiatives" and "— Federal Health Care Reform and Deficit Reduction."

Enactment of the ACA has led to substantial and continuing changes in the United States health care system. The ACA, together with ensuing legislation as discussed in "Patient Service Revenues" (collectively "Federal Health Care Reform legislation"), has affected and continues to affect the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers, employers and consumers. Some of the provisions of the ACA took effect immediately or within a few months of enactment, while others provisions of the ACA and more recent statutes have been or are expected to be phased-in over a longer time, ranging from one year to ten years.

Federal Health Care Reform Legislation has also required, and will continue to require, the promulgation of substantial regulations with the potential to have significant effects on the health care industry and the Corporation, including the need for structural and operational changes for a substantial period of time. The full ramifications of Federal Health Care Reform Legislation may only become apparent over an extended period of time and through later regulatory and judicial interpretations. Portions of the ACA have already been limited and nullified as a result of legislative amendments and judicial interpretations and future actions may further change its impact. The uncertainties regarding the implementation of Federal Health Care Reform Legislation and the continuation of the ACA, in particular, create unpredictability for the strategic and business planning efforts of health care providers, which in itself constitutes a substantial risk.

The changes in the health care industry attributable to enactment of Federal Health Care Reform Legislation have had and may have both positive and negative effects, directly and indirectly, on the nation's hospitals and other health care providers, including the Corporation. For example, the increase in the numbers of individuals with health care insurance as a consequence of Medicaid expansion, creation of health insurance exchanges, subsidies for insurance purchase and the penalty on certain individuals who do not purchase insurance has generally resulted in lower levels of bad debt and increased utilization, including more profitable shifts in utilization patterns for hospitals. However, the extent to which Medicaid expansion, which is now optional on a state-by- state basis, is either not pursued or results in a shifting of significant numbers of commercially-insured individuals to Medicaid, the extent to which health insurance options on exchanges are limited or unaffordable, and the cost containment measures and pilot programs that the ACA requires, have offset these benefits in part.

A negative overall impact of Federal Health Care Reform Legislation is likely to result from scheduled cumulative reductions in Medicare payments; those scheduled reductions are substantial. The cost-cutting provisions in Federal Health Care Reform Legislation include reduction in the Medicare "market basket" updates to hospital reimbursement rates under the inpatient prospective payment system, additional reductions to or elimination of Medicare reimbursement for certain patient readmissions and hospital-acquired conditions, as well as anticipated reductions in rates paid to Medicare managed care plans that may ultimately be passed on to providers. Government cost reduction actions have been and may continue to be followed by private insurers and payors. Because a significant portion of the Corporation's patient service revenue is attributable to Medicare reimbursement, the reductions may have a material adverse effect on the operations, financial condition and financial performance of the Corporation and could offset any positive effects of the ACA.

Beginning in federal fiscal year 2014, the ACA created "health insurance exchanges" on which health insurance can be purchased by certain groups and segments of the population, expanded the availability of subsidies and tax credits for premium payments by some consumers and employers, and required that certain terms and conditions be included by commercial insurers in contracts with providers. The number of exchanges and the plans offered by any exchange continually evolve. The ACA also imposed many new obligations on states related to health insurance.

It is unclear how the increased federal oversight of state health care may affect future state oversight or affect the Corporation. The health insurance exchanges may have a positive impact on hospitals by increasing the availability of health insurance to individuals who were previously uninsured. Conversely, employers or individuals may shift their purchase of health insurance to new plans offered through the exchanges, which may or may not reimburse providers at rates at least equal to rates the providers currently receive. Several large health insurers have pulled some of their products out of certain exchanges, citing larger than expected losses on those insurance products. In addition, most of the health insurance cooperatives that were operational at the start of the ACA's first open enrollment period in the fall of 2013 are no longer operational. The co-op failures are also due to sicker and costlier patients, benefits that were

too generous and premiums that were too low, and uncertainty regarding the collectability of receivables from the federal government related to the transitional risk corridor program which was established as part of the ACA. DHHS issued new regulations in May 2016 to help the remaining co-ops maintain financial viability. CMS implemented additional new regulations on April 18, 2017, designed to attract health insurance issuers back to the exchanges and stabilize the individual and small group markets. However, it is unclear whether the new regulations will provide the financial stability needed. The exchanges could alter the health insurance markets in ways that cannot be predicted, and exchanges might, directly or indirectly, take on a rate-setting function that could negatively impact providers. Because the exchanges and plans offered are continually changing, the effect of the ACA upon the financial condition or financial performance of any third-party payor that offers health insurance, rates paid by third-party payors to providers and, thus, the Corporation's revenues and the impact on the Corporation's financial condition and results of operations cannot be predicted.

Additionally, on October 12, 2017, the Trump administration announced that cost-sharing reduction payments will no longer be made to insurers, which are still required to offer cost-sharing to certain low-income plan members under the ACA. Cost sharing reduction payments help offset deductibles and other out-of-pocket expenses for exchange health insurance coverage certain individuals earning up to 250 percent of the federal poverty level. On October 13, 2017, eighteen states and the District of Columbia filed suit in the U.S. District Court for the Northern District of California challenging the Trump administration's action and asking the court to issue a preliminary injunction mandating the continuance of cost-sharing reduction payments, which request was denied. On October 17, 2017, the chairman and ranking member of the Senate Committee on Health, Education, Labor, and Pensions announced a bipartisan proposal intended to continue cost-sharing reduction payments, but no such legislation has been passed to date. Despite the Trump administration's announcement to eliminate the cost-sharing reduction payments, the federal fiscal year 2019 budget contains a request for mandatory appropriations for the cost-sharing reduction payments. Cost-sharing reduction payments may be eliminated in the future due to the ACA's uncertain future.

In addition, beginning in 2020 and absent modifying legislation, an excise tax will be imposed under the ACA on certain high-cost, employment-based health plans. This tax was originally scheduled to take effect in federal fiscal year 2018, but its implementation was delayed by subsequent legislation.

These recent actions have the potential to significantly impact the insurance exchange market by reducing the number of plans available on exchanges and/or increasing insurance premiums.

Federal Health Care Reform Legislation will likely affect some health care organizations differently from others, depending, in part, on how each organization adapts to the government's emphasis on directing more federal health care dollars to integrated provider organizations and providers with demonstrable achievements in quality care. Federal Health Care Reform Legislation imposes a value-based purchasing system for hospitals under which a percentage of payments will be contingent on satisfaction of specified performance measures related to common and high-cost medical conditions, such as cardiac, surgical and pneumonia care. Federal Health Care Reform Legislation also funds various demonstration programs and pilot projects and other voluntary programs to evaluate and encourage new provider delivery models and payment structures, including "accountable care organizations" and bundled provider payments. The outcomes of these projects and programs, including the likelihood of being made permanent or expanded or their effect on health care organizations' revenues or financial performance, cannot be predicted.

The ACA contains amendments to existing criminal, civil and administrative anti-fraud statutes and increases in funding for enforcement and efforts to recoup prior federal health care payments to providers. The ACA also requires states to increase their enforcement efforts to suspend and recoup

Medicaid payments to providers under certain circumstances. Under the ACA, a broad range of providers, suppliers and physicians are required to adopt a compliance and ethics program. While the government has already increased its enforcement efforts, failure to implement certain core compliance program features provides new opportunities for regulatory and enforcement scrutiny, as well as potential liability if an organization fails to prevent or identify improper federal health care program claims and payments. Any legislative changes to the ACA could result in additional pressure on Medicaid funding. As of October 1, 2017, 31 states and the District of Columbia had indicated that they would expand Medicaid, with the remainder declining to participate in the expansion or remaining undecided.

The President and Republican leaders of Congress have repeatedly taken steps to repeal or rescind certain provisions of the ACA, including introducing and voting on various bills aimed at repealing and replacing all or portions of the ACA. In June 2017, the Senate rejected proposed legislation to repeal portions of the ACA. Following release of the Tax Cuts & Jobs Act, the President urged Congress to include the repeal of certain provisions of the ACA in any tax reform legislation adopted by Congress. As of the date of this Official Statement, no proposed bills seeking repeal have passed both chambers of Congress. The Corporation cannot predict the likelihood of any repeal bills or other health care reform bills becoming law, or the subsequent effects of any such laws, though such effects could materially impact the Corporation's financial condition or results of operations.

In addition to legislative changes, the ACA implementation and the ACA insurance exchange markets may be impacted by executive branch actions. On January 20, 2017, the President issued an executive order requiring all federal agencies with authorities and responsibilities under the ACA to use available discretionary power to waive, defer, grant exemptions from, or delay parts of the ACA. Additionally, on October 12, 2017, The President took additional steps to dismantle the ACA by signing an executive order that broadly tasks the administration with developing policies to increase health care competition and choice. The order allows consumers to buy short-term policies, which do not have to comply with the ACA's protections for those with pre-existing conditions and also aims to broaden the ability of employers to give workers money to buy their own coverage through health reimbursement arrangements. Both of these executive orders are expressly made subject to applicable law, and their effects may be limited by controlling federal and state statutes. To the extent these changes are authorized under applicable law, the administration has stated that they could take six months or longer to take effect. As another example of executive branch actions, the U.S. Department of Labor published a final rule on June 21, 2018 that allows the establishment of group or association health plans ("AHPs"). The final rule establishes when and how employers may form AHPs to offer group health plans to multiple employers and self-employed individuals. AHPs may be structured to avoid many of the requirements of the ACA. Any repeal or modification of the ACA could reduce the number of individuals qualifying for treatment as Medicaid patients, resulting in the Corporation's care for greater numbers of uninsured individuals. The Corporation cannot predict the likelihood of similar future executive actions or effect of any such executive actions on the financial conditions or results of operations of the Corporation, though such effects could be material.

California Health Care Reform. The State of California has enacted several laws intended to implement the ACA within the required federal timeframes. California started taking steps to implement the ACA shortly after it became federal law. Among the steps taken to date to implement or advance the ACA:

- The State of California established a health insurance exchange within a year of passage of the ACA.

- The State of California approved expansion of Medi-Cal coverage, effective January 1, 2014, to include adults with incomes up to 138% of the federal poverty level who are under age 65, not pregnant and not otherwise currently eligible for Medi-Cal.

- California approved an expansion of the Children's Health Insurance Program ("CHIP") to cover children in families with income up to 317% of the federal poverty level in three counties and up to 411% of the federal poverty level in one county.

- The State of California enacted legislation prohibiting insurers from denying health coverage based on preexisting conditions.

- The State of California is also running a dual-eligible pilot program with federal funding, called the "Cal Medi Connect Program."

In July 2016, the exchange announced that premiums would rise by an average of 13.2% in 2017 to cover insurers' rising costs. In addition to premium increases, insurers may seek to offset the effects of increasingly costly services by "narrowing" their provider networks, which requires hospitals to accept smaller per-service reimbursements in return for a higher volume of patients resulting from inclusion in a network. The increasing prevalence of "narrow" networks has resulted in additional confusion over which providers are "in network" versus "out of network" for a given health plan. This has caused some loss of confidence in the exchange, but may only be temporary.

Patient Service Revenues

Medicare and Medicaid Programs; Reimbursement Policies Affecting Health Care Facilities. Medicare and Medicaid are the commonly used names for clinical/medical reimbursement or payment programs governed by certain provisions of the federal Social Security Act. Medicare is an exclusively federal program and Medicaid is a combined federal and state program. Medicare provides certain health care benefits to eligible persons 65 years of age and older, disabled persons and persons with end-stage renal disease. Medicaid is designed to pay providers for care given to the medically indigent and others who receive federal aid. Medicaid is jointly funded by federal and state appropriations and administered by the individual states, and Medicaid benefits are available under each participating state's Medicaid program, within prescribed limits, to persons meeting certain minimum income or other eligibility requirements, including children, the aged, the blind and/or disabled. CHIP is designed to cover children in families whose income is too high to qualify for Medicaid. It is also jointly funded by federal and state appropriations and administered by the various states.

Medicare. The Corporation depends significantly on Medicare as a source of revenue. Because of this dependence, changes in the Medicare program may have a material adverse effect on the operations, financial condition and financial performance of the Corporation.

Medicare is administered by CMS, which delegates to the states the authority to conduct Medicare certification surveys of hospitals to which CMS will make payment. In order to achieve and maintain Medicare certification, hospitals must meet CMS's "Conditions of Participation" on an ongoing basis and satisfy all accreditation standards. Such standards may be determined by state surveyors acting on behalf of CMS, or by certain private accreditation organizations, including The Joint Commission, the Healthcare Accreditation Program or DNV Healthcare, Inc., that are authorized to deem a facility to be in compliance with certification standards. Additionally, the states establish criteria for licensing health facilities as well as certain departments and equipment commonly utilized by hospitals. These state licensing standards may be more stringent than federal Medicare certification standards. The CMS Conditions of Participation include a requirement that a certified Medicare facility obtain and maintain in good standing all applicable

state licenses. The requirements for Medicare certification and state licensing are subject to change, and, therefore, it may be necessary for hospitals to effect changes from time to time in their facilities, equipment, personnel, billing, policies and services.

As the population ages, more people will become eligible for the Medicare program. Current projections indicate that demographic changes and continuation of current cost trends will exert significant and negative forces on the overall federal budget. CMS has developed and amended a number of cost saving measures under the rubric of value-based health care. CMS continues to modify its existing initiatives and innovate new subregulatory cost containment programs. Certain reimbursement policies may change without the need for a formal notice and rulemaking process. The Corporation cannot predict the frequency with which Medicare reimbursement criteria may be altered or the effects of those modifications. Moreover, under a number of value-based healthcare models, CMS retains and pools a percentage of reimbursement from all providers in a particular class and then awards incentive payments to selected providers based upon their performance as compared with the peer group. The Corporation cannot predict how the Hospital will compare with other hospitals in satisfying the target performance measures in any given year, and any resulting reductions in revenues could have a material adverse effect on the operations, financial condition and financial performance of the Corporation or the Obligated Group.

The ACA institutes multiple mechanisms for reducing the costs of the Medicare program, including the following:

Value-Based Purchasing Program. Beginning in federal fiscal year 2013, Medicare inpatient payments to hospitals are determined, in part, based on a program under which value-based incentive payments are made in a fiscal year to hospitals that meet certain performance standards during that fiscal year. The program is funded through the reduction of hospital inpatient care payments by 2%. Hospitals that perform poorly under the value-based purchasing program will not recoup those funds. This reduction may be offset by incentive payments for hospitals that meet or exceed certain quality standards.

Market Basket Reductions. Generally, Medicare payment rates to hospitals are adjusted annually based on a "market basket" of estimated cost increases. In recent years, market basket adjustments for inpatient hospital care have averaged approximately 2% to 4% annually. The ACA required reductions in the annual "market basket" update amount ranging from 0.10% to 0.75% each year between federal fiscal year 2012 and federal fiscal year 2019. The productivity adjustment is anticipated to result in an approximately 1% additional annual reduction to the market basket updates. The reductions in market basket updates and the productivity adjustments have had, and will continue to have, a disproportionately negative effect upon those providers that are relatively more dependent upon Medicare than other providers. In addition, the reductions in market basket updates were effective prior to the periods during which insurance coverage and the insured consumer base began to expand, which may have an interim negative effect on revenues. The combination of reductions to the market basket updates and the imposition of the productivity adjustments may result in reductions in Medicare payment per discharge on a year-to-year basis.

Market Productivity Adjustments. The ACA provides for market basket adjustments based on overall national economic productivity statistics calculated by the Bureau of Labor Statistics. This adjustment is currently anticipated to result in an approximately 1% additional reduction to the "annual market basket" update.

Hospital Acquired Conditions Penalty. Medicare inpatient payments to hospitals that are in the top quartile nationally for frequency of certain "hospital-acquired conditions" are reduced by

1% of the amount that would otherwise be payable to each hospital for the applicable federal fiscal year.

Readmission Rate Penalty. Medicare inpatient payments to hospitals with excess readmissions compared to the national average for three patient conditions (acute myocardial infarction, pneumonia and heart failure) are reduced based on the dollar value of that hospital's percentage of excess preventable Medicare readmissions within 30 days of discharge. The current maximum penalty is 3% in federal fiscal year 2015. In federal fiscal year 2015, CMS expanded the patient conditions assessed for this penalty to include acute exacerbation of chronic obstructive pulmonary disease, elective total hip arthroplasty, and total knee arthroplasty. Additionally, commencing in federal fiscal year 2017, CMS expanded the patient conditions to include patients admitted for coronary artery bypass graft ("CABG") surgery, chronic obstructive pulmonary disease, and elective primary total hip and/or total knee arthroplasty in the calculation of a hospital's readmission payment adjustment factor. It is expected that CMS will continue to expand and refine the patient conditions that can lead to readmission payment adjustments.

DSH Payments. Hospitals receiving supplemental "DSH" payments from Medicare (i.e., those hospitals that care for a disproportionate share of Medicare beneficiaries) may have their DSH payments significantly reduced, although a portion of this reduction potentially will be offset by new additional payments based on the volume of uninsured and uncompensated care provided by each such hospital. Separately, Medicaid DSH allotments to each state may also be reduced, based on a methodology to be determined by DHHS, accounting for statewide reductions in uninsured and uncompensated care. Such reductions have been delayed several times, most recently under the Bipartisan Budget Act of 2018 (the "BBA 2018"), which further delays the DSH reductions by two years, through 2018 and 2019. CMS has issued a proposed rule that reduces DSH allotments by $2 billion in federal fiscal year 2018, with reductions to grow by $1 billion per year through federal fiscal year 2024. The Corporation's Hospital has, from time to time, qualified as a disproportionate share hospital. See APPENDIX A — "CERTAIN INFORMATION CONCERNING OROVILLE HOSPITAL — SOURCES OF REVENUE — Certain Financial Incentive Programs."

Medicare Advantage. Since October 1, 2010 and continuing through federal fiscal year 2019, payments under the Medicare Advantage programs have been and will be reduced, which may result in increased premiums or out-of-pocket costs to Medicare beneficiaries enrolled in Medicare Advantage plans. Those beneficiaries may terminate their participation in those plans and opt for the traditional Medicare fee-for-service program. The reduction in payments to Medicare Advantage programs may also lead to decreased payments to providers by managed care companies operating Medicare Advantage programs, depending on the contractual arrangement between the Medicare Advantage program and the provider. All or any of these outcomes could have a disproportionately negative effect upon those providers with relatively high dependence upon Medicare Advantage program revenues.

Components of the Recovery Act also affected Medicaid payments by providing for Medicare and Medicaid incentive payments, beginning in 2011, to hospital providers meeting designated deadlines for demonstrating meaningful use of certified electronic health record technology. For those hospital providers that failed to meet the 2016 deadline, Medicare payments are significantly reduced.

Hospital Inpatient Reimbursement. Hospitals are generally paid for inpatient services provided to Medicare beneficiaries based on established categories of treatments or conditions known as diagnosis related groups ("DRGs"). The actual cost of care, including capital costs, may

be more or less than the DRG rate. DRG rates are subject to adjustment by CMS, including reductions mandated by the ACA and the Budget Control Act and are subject to federal budget considerations. There is no guarantee that DRG rates, as they change from time to time, will cover actual costs of providing services to Medicare patients. For information regarding the impact of the ACA on payments to hospitals for inpatient services, see "— Medicare — Market Basket Reductions" above.

The legislation that created the inpatient prospective payment system ("IPPS") requires that payments under the IPPS be adjusted annually based on the national average cost of providing inpatient services (the "market basket"). For every year since 1983, Congress has modified the increases and given substantially less than the increase in the "market basket" index. There is no assurance that future updates in the IPPS payments will come any closer to keeping pace with the increases in the cost of providing hospital services. If a hospital incurs operating and capital costs in treating Medicare inpatients which exceed the DRG level of reimbursement, the hospital will experience a loss from providing these services.

In recent years, CMS has implemented a number of initiatives that may adversely affect Medicare payments to the Corporation, including reduced payment for certain cases in which a beneficiary acquires a complication or condition while in the hospital; an overall reduction in payment to fund bonus payments to some hospitals that satisfy CMS's "value-based purchasing" criteria; and reduced payments to hospitals with readmission rates for patients with specified diagnoses that exceed the anticipated readmission rate.

Hospital Outpatient Reimbursement. Hospitals are generally paid for outpatient services provided to Medicare beneficiaries based on established categories of treatments or conditions known as ambulatory payment classifications ("APC"). The actual cost of care, including capital costs, may be more or less than the reimbursements. There is no guarantee that APC rates, as they change from time to time, will cover actual costs of providing services to Medicare patients.

The BBA 2015 changed the reimbursement available for off-campus hospital outpatient departments ("HOPDs") resulting in reduced Medicare payments for non-emergency services performed at certain HOPDs. Specifically, the BBA 2015 provides that, starting January 1, 2017, off-campus HOPDs established on or after November 2, 2015, are no longer eligible for payment under the Medicare Outpatient Prospective Payment System ("OPPS") for non-emergency services. Instead, non-emergency services performed at these facilities are paid under the Physician Fee Schedule, which may be lower than the OPPS rates. During calendar year 2017, CMS paid 50% of the applicable OPPS rate since it did not have the ability to implement an alternative payment methodology yet. For services in calendar year 2018, CMS reduced the applicable payment amount to 40% of the OPPS rate. Notably, while HOPDs already billing under the OPPS as of November 2, 2015 are "grandfathered" for purposes of these provisions, HOPDs not yet billing under the OPPS as of that date, even if under development, are not excepted from the change in reimbursement. These reimbursement changes will likely have a significant impact on the financial performance of many HOPDs.

Other Medicare Service Payments. Medicare reimburses Skilled Nursing Facilities ("SNFs"), home health agencies ("HHAs"), and hospices each according to a separate and distinct system. SNFs are reimbursed under a prospective payment system that established a per-diem rate based on resource utilization groups that reflect the resources necessary to furnish care to the patient. HHAs are reimbursed under a prospective payment system that employs home health resource groups that reflect the patient's condition and expected resources used in providing services. Lastly, hospice payments are made according to four separate rates established by CMS

that reflect the intensity and location of the hospice services rendered. CMS updates payment rates for these providers annually, and as with other provider reimbursement systems, there is no assurance that the Corporation will be paid amounts that will adequately reflect costs incurred in providing health care services to Medicare beneficiaries.

Reimbursement of Hospital Capital Costs. Hospital capital costs apportioned to Medicare patient use (including depreciation and interest) are paid by Medicare on the basis of a standard federal rate (based upon average national costs of capital), subject to limited adjustments specific to the hospital. There can be no assurance that future capital-related payments will be sufficient to cover the actual capital-related costs of facilities applicable to Medicare patient stays or will provide flexibility for hospitals to meet changing capital needs.

Medicare Bad Debt Reimbursement. Under Medicare, the costs attributable to the deductible and coinsurance amounts which remain unpaid by the Medicare beneficiary can be added to the Medicare share of allowable costs as cost reports are filed. Hospitals generally receive interim pass-through payments during the cost report year which were determined by the Medicare Administrative Contractor ("MAC") from the prior cost report filing. Bad debts must meet the following criteria to be allowable:

- the debt must be related to covered services and derived from deductible and coinsurance amounts;
- the provider must be able to establish that reasonable collection efforts were made;
- the debt was actually uncollectible when claimed as worthless; and
- sound business judgment established that there was no likelihood of recovery at any time in the future.

The amounts uncollectible from specific beneficiaries are to be charged off as bad debts in the accounting period in which the accounts are deemed to be uncollectible. In some cases, an amount previously written off as a bad debt and allocated to the program may be recovered in a subsequent accounting period. In these cases, the recoveries must be used to reduce the cost of beneficiary services for the period in which the collection is made. In determining reasonable costs for hospitals, the amount of bad debts otherwise treated as allowable costs is reduced by 35%. Amounts incurred by a hospital as reimbursement for bad debts are subject to audit and recoupment by the MAC. Bad debt reimbursement has been a focus of MAC audit/recoupment efforts in the past.

Medical Education Payments. Medicare currently pays for a portion of the costs of medical education at hospitals that have teaching programs. These payments are vulnerable to reduction or elimination. The direct and indirect medical education reimbursement programs have repeatedly emerged as targets in the legislative efforts to reduce the federal budget deficit.

Sustainable Growth Rate Formula. The sustainable growth rate ("SGR") formula, a limit on the growth of Medicare payments for physician services, was linked to changes in the U.S. Gross Domestic Product over a ten-year period. On April 16, 2015, the MACRA was signed into law, which ended use of the SGR, effective July 2015. MACRA is and will continue to substantially alter how physicians and other practitioners are paid by Medicare for services furnished to program beneficiaries. Generally, physicians will choose whether to participate in an ACO as an advanced alternative payment model or have their performance measured under the Merit-based Incentive

Payment System ("MIPS"). Payments to physicians and other practitioners will be adjusted depending on which pathway is chosen, and based on performance within each pathway. A substantial amount of payments will be linked to that performance. Poorly performing practitioners will have Medicare payments reduced; while those who perform well against prescribed measures could have payments increased. These changes will influence physician referral and utilization behaviors, which could affect utilization of hospital services.

Medicaid. Medicaid is a program of medical assistance, funded jointly by the federal government and the states, for certain low-income and needy individuals and their dependents. Under Medicaid, the federal government provides limited funding to states that have medical assistance programs that meet federal standards. Each state determines the type, amount, duration and scope of services, sets the payment rates for services, and administers its own programs in accordance with certain federal guidelines. Attempts to balance or reduce the federal and state budgets will likely negatively impact spending for Medicaid and other state health care program spending.

The ACA requires Medicaid to be expanded to all individuals under the age of 65 with income less than 138% of the federal poverty limit, effective in 2014. To fund this expansion, the ACA provides that the federal government will fund 100% of the costs of this expansion for a limited number of years, decreasing thereafter to 90% of the costs of this expansion. In June 2012, the Supreme Court held that the federal government cannot withhold existing federal funds for states that refuse to expand Medicaid as required by the ACA. As of July 1, 2018, 33 states and the District of Columbia had indicated that they would expand Medicaid, with the remainder declining to participate in the expansion, or remaining undecided.

Federal and state governments continue to consider changes to Medicaid funding, particularly in light of the budget challenges facing many states. Certain additional proposals being examined may ultimately result in reduced federal Medicaid funding to the states, which could adversely impact amounts received by the Members of the Obligated Group.

Historically, Medicaid has reimbursed at rates below the cost of care and, therefore, increases in the overall proportion of Medicaid patients poses a financial risk to the Corporation. It is uncertain to what extent this risk may be mitigated if the increased Medicaid utilization replaces previously uncompensated care.

Certain states contract selectively with general acute care hospitals to provide services to participants in the Medicaid program of such state and may not provide payment to hospitals that do not have such a contract. Payment under such contracts may not cover the cost of providing such services or may be reduced by such states. Reductions in payments by state Medicaid programs or loss of such contracts could materially adversely affect the operations, financial condition and financial performance of the Corporation.

For the share of the Corporation's net patient service revenue (before provision for bad debt expense) represented by Medicaid payments for the fiscal years ended November 30, 2017 and 2016, see APPENDIX A — "CERTAIN INFORMATION CONCERNING OROVILLE HOSPITAL — SOURCES OF REVENUE — [Patient Service Revenue]" hereto.

California Medi-Cal Program. Medi-Cal is the Medicaid program in California. California has traditionally lagged behind other states in the amounts it pays to providers. Medi-Cal is an important payor for the Members of the Obligated Group. See APPENDIX A — "CERTAIN INFORMATION CONCERNING OROVILLE HOSPITAL — SOURCES OF REVENUE" hereto.

In 2010, the California legislature enacted legislation significantly modifying the method of Medi-Cal reimbursement, which became effective on July 1, 2013 for private hospitals and January 1, 2014 for non-designated public hospitals. Under the previous reimbursement system, California entered into negotiated contracts with hospitals establishing the reimbursement rates for inpatient hospital services. The new system establishes a "per stay" reimbursement rate for hospital inpatient services based on All-Patient Refined Diagnosis Related Groups ("APR-DRGs"), which is a proprietary classification system for clinical conditions that is currently licensed and in use by many other state Medicaid programs.

Under the new payment method, DHCS reimburses hospitals for each inpatient admission based on the APR-DRG for that admission, which DHCS assigns using 3M coding software based on the diagnoses, procedures, patient age and discharge status submitted on the hospital claim form. Each APR-DRG has a relative weight that reflects the typical hospital resources needed to care for a patient in that APR-DRG, relative to the hospital resources needed to take care of the average patient. DHCS establishes a "base rate" each year that is then multiplied by the ADR-DRG for that admission to come to the rate for a particular patient's stay. An "outlier" factor provides additional reimbursement to compensate for exceptionally expensive stays.

The financial impact of the new payment method on individual hospitals may vary; some hospitals may experience reduced Medi-Cal reimbursement while others may experience increased reimbursement. The ultimate effect on Medi-Cal reimbursement to healthcare providers cannot yet be predicted, given the relatively short period of time the new method has been in place.

California Hospital Provider Fee. In 2009, the State Legislature enacted the Medi-Cal Hospital Provider Rate Stabilization Act and the Quality Assurance Fee Act, which imposed a "quality assurance fee" on California's general acute care hospitals, except for public hospitals and certain exempt hospitals. The Medi-Cal hospital provider fee is essentially a tax on hospitals to raise funds for provider payments. The proceeds are used to earn federal matching funds for Medi-Cal, and to increase Medi-Cal payments to hospitals. Under this program, some California hospitals receive more funding in increased Medi-Cal reimbursement than the quality assurance fees paid, while other California hospitals receive less money in Medi-Cal payments than the fees paid. The California Medi-Cal Hospital Reimbursement Initiative, passed in November 2016, will extend the hospital fee program indefinitely and put projections in place to prevent diversion of funds from the program. Delays in State or CMS approval can have adverse effects on providers. See APPENDIX A — "CERTAIN INFORMATION CONCERNING OROVILLE HOSPITAL — SOURCES OF REVENUE — Certain Financial Incentive Programs."

Medicare and Medicaid Audits. Hospitals that participate in the Medicare and Medicaid programs are subject from time to time to audits and other investigations relating to their operations and billing practices, as well as to retroactive audit adjustments with respect to reimbursements claimed under these programs. Medicare and Medicaid regulations also provide for withholding reimbursement payments in certain circumstances. New billing rules and reporting requirements for which there is no clear guidance from CMS or state Medicaid agencies could result in claims submissions being considered inaccurate. The penalties for violations may include an obligation to refund money to the Medicare or Medicaid program, treble damages, assessment of civil money penalties for each disallowed claim, payment of criminal or civil fines and exclusion from participation in federal health programs.

Authorized by the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the Medicare Integrity Program ("MIP") was established to deter fraud and abuse in the Medicare program. Funded separately from the general administrative contractor program, the MIP allows CMS to enter into contracts with outside entities and insure the "integrity" of the Medicare program. These entities, Medicare Zone Program Integrity Contractors ("ZPICS"), are contracted by CMS to review claims and medical charts, both on a prepayment and post-payment basis, conduct cost report audits and identify cases of

suspected fraud. ZPICs have the authority to deny and recover Medicare and Medicaid payments as well as to refer cases to the Office of Inspector General of the DHHS (the "OIG"). CMS is also planning to enable ZPICs to compile claims data from multiple sources in order to analyze the complete claims histories of beneficiaries for inconsistencies.

CMS also enlists recovery audit contractors ("RACs") to conduct periodic annual audits of Medicare and Medicaid payments to search for potentially improper payments from prior years that were not detected through CMS's or the states' routine program integrity efforts. The RACs are private contractors, paid on a contingency fee basis and use their own software and review processes. Although required to identify both overpayments and underpayments, RACs have in practice collected significantly more in overpayments to health care providers in proportion to the underpayments to providers. Under the ACA, recovery audits were expanded to include Medicaid by requiring states to contract with RACs to conduct such audits.

In addition, CMS has instituted a Medicaid Integrity Program, modeled on the MIP. Medicaid Integrity Program contractors assist state Medicaid agencies by analyzing Medicaid claims data to identify high-risk areas and potential vulnerabilities and conducting post-payment field audits and desk reviews audits of Medicaid provider payments.

CMS has developed and amended a number of other contract audit initiatives under its Uniform Program Integrity Contract ("UPIC") audit program. In addition to the ZPIC and RAC audits, CMS engages Medicaid Integrity Contractors ("MIC") and develops state-specific contract audit programs on a subregulatory basis. Contract auditors may be paid on a contingent fee basis or pursuant to an alternative fee arrangement with incentive payments. Contracting audit firms may or may not employ clinical personnel with experience in the claims being audited. Certain reimbursement policies may change without the need for a formal notice and rulemaking process. The Corporation cannot predict the frequency with which Medicare and Medicaid reimbursement audits may be initiated or the effects of those modifications. Adverse audit findings could have a material adverse effect on the results of operations and financial stability of the Corporation and the Obligated Group.

Audits may result in reduced reimbursement or repayment obligations related to past alleged overpayments and may also delay Medicare and/or Medicaid payments to health care providers pending resolution of the appeals process. The ACA explicitly gives DHHS the authority to suspend Medicare and Medicaid payments to a health care provider or supplier during a pending investigation of fraud and requires states to suspend such payments. The ACA also amended certain provisions of the FCA (as defined herein) to provide that the failure to report and repay identified overpayments constitutes a false claim. It also added provisions in respect of the timing of the obligation to identify, report and reimburse overpayments.

Children's Health Insurance Program. CHIP is a federally-funded insurance program for families which are financially ineligible for Medicaid, but cannot afford commercial health insurance. The CMS administers CHIP, but each state creates its own program based upon minimum federal guidelines. CHIP insurance is provided through private health plans contracting with the state. Each state must periodically submit its CHIP plan to CMS for review to determine if it meets the federal requirements. If it does not meet the federal requirements, a state can lose its federal funding for the program.

From time to time, Congress and/or the President may seek to expand or contract CHIP. The ACA authorized an extension of the CHIP program through September 30, 2015. The adoption of MACRA extended the CHIP program through September 30, 2017, and on January 22, 2018, Congress passed a six-year extension of CHIP funding through September 30, 2023 as part of a broader continuing resolution to fund the federal government. On February 9, 2018, another temporary spending bill was signed into law, which further extended CHIP funding/authorization through fiscal year 2027. Both bills include a phase-

out of the 23% ACA-increased funding for CHIP, with the increased reimbursement to continue through fiscal year 2019, to be cut in half in fiscal year 2020, and to be eliminated entirely in fiscal year 2021. When such funding expires there can be no assurances that funding for an increase will be reestablished at either a state or federal level, or that professional and/or facility reimbursement rates will not subsequently be reduced in efforts to manage costs. The Corporation's revenues could be adversely affected if CHIP is not extended or if it is extended with reduced funding.

California State Budget. The State enacted a balanced fiscal year 2018-19, which took effect on July 1, 2018. It is impossible to predict the impact of future financial challenges to the California economy, including threat of future recessions, changes in federal spending policy and other events that could result in budget deficits. It is also impossible to predict actions that the Governor, the State legislature or voters via ballot initiative — may take in the future. It is reasonable to expect, however, that cost containment measures, including management of the State's health care spending, will be pursued to keep the State's budget in balance, which may have an adverse effect on the financial condition of the Corporation. Past actions, such as those set forth below, may be indicative.

- Aggressive health care cost-containment efforts by the Governor and the State legislature to help eliminate prior years' budget deficits, including the State's substantial cuts to health care provider reimbursement (including Medi-Cal payments to hospitals). For example, California enacted legislation to reduce its Medicaid expenditures through eligibility restrictions (causing a greater number of indigent, uninsured or underinsured patients) and reductions in Medicaid payment rates. In October 2011, CMS approved the State's request for 10% reductions in Medi-Cal payments for certain outpatient services and for long-term care. A Ninth Circuit Court of Appeals panel in December 2012, and later the full court in May 2013, upheld the reductions. In January 2014, the Supreme Court declined to review.

- The significant expansions to Medicaid programs — Medi-Cal in California — under the ACA. This expansion will require additional program funding. Federal funding is available for some of this expansion, but it is conditioned on states maintaining specified beneficiary eligibility criteria and California has sought to limit program eligibility in recent years to reduce program costs. In May 2016, individuals 19 years of age and younger became eligible for full scope Medi-Cal benefits regardless of immigration status. This population was previously only eligible for restricted scope Medi-Cal, which only covers emergency medical conditions. This expansion will require additional program funding, and will be funded with State funds if federal participation is not available.

- While federal funding is available to facilitate Medicaid program expansion, this funding is expected to be temporary. The Medicaid program expansion and the expected longer-term loss of federal financial support to offset longer-term expansion-related costs may require the State to reduce provider reimbursement rates further.

Health Plans and Managed Care. Most private health insurance coverage is provided by various types of health benefit plans, including health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs"), and self-funded employer and multi-employer plans that generally pay discounted rates in exchange for directing and encouraging their members to utilize certain "in network" providers. Medicare and Medicaid also purchase hospital services using managed care plans. Payments to hospitals from these payors are typically made at discounted fee-for-service rates or other reimbursement methodologies (e.g., capitation) that result in patient service revenue that is lower than the full bill charges traditionally paid by indemnity insurers.

Private health benefit plans are the prime source of non-governmental payment for hospital services, and hospitals must be capable of attracting and maintaining their business. Aggressive discounted pricing and assumption of substantial risks of resource consumption and utilization are often required to retain market share. This in turn requires cost containment and efficient operations, because it is essential that contracting hospitals be able to provide the contracted services to generate margins that cover the losses from providing un- and under-compensated care.

Many private health benefit plans currently pay providers on a negotiated fee-for-service basis or, for institutional care, on a fixed rate per day of care or per case, which, in each case, usually results in patient service revenue that is discounted far below the usual and customary charges for the care provided. Additionally, the volume of patients directed to a provider may vary significantly from projections, and/or changes in the utilization may be dramatic and unexpected, thus jeopardizing the provider's ability to manage this component of revenue and the associated costs.

Some California HMOs employ a "capitation" payment method under which hospitals are paid a predetermined periodic rate for each enrollee in the HMO who is "assigned" to a particular hospital. The hospital may assume financial risk for the cost of a pre-determined matrix of institutional services. If utilization by such enrollees materially exceed projections, or if other factors materially increase the hospital's costs for the services it has agreed to accept financial responsibility for, the financial condition of the hospital could erode rapidly and significantly.

Often, health plan contracts are enforceable for a stated term, and they require hospitals to care for enrollees for a certain time period, regardless of whether the hospital remains solvent. Hospitals from time to time have disputes with managed care payors concerning payment and contract interpretation issues, and these disputes may cause significant variances from expected net patient service revenue or significant additional time to realize revenue, or both.

Failure to maintain health care contracts could have the effect of reducing a health care organization's market share and net patient services revenues. In addition, recent changes to California law may make it substantially more difficult for non-contracted providers to maintain net revenue expectations. Conversely, participation in capitated arrangements may result in lower net income if participating hospitals are unable to adequately manage utilization and costs. Thus, managed care poses one of the most significant business risks (and opportunities) health care organizations face.

In addition, the current trend of consolidation in the health insurance industry is likely to increase the leverage of commercial insurers when negotiating rates with health care providers. Large health insurers that assume dominant positions in local markets threaten to increase health insurer concentration, reduce competition and decrease choice. If the Corporation were to terminate its agreement with any of the major managed care payors or not agree to terms proposed by such payors, or if a large payor were to exit the regional marketplace in some or all of its product lines, it could have a significant material adverse impact on the financial condition of the Corporation.

Increased Enforcement Affecting Academic Research. In addition to increasing enforcement of laws governing payment and reimbursement, the federal government has also stepped up enforcement of laws and regulations governing the conduct of clinical trials at hospitals. DHHS elevated and strengthened its Office of Human Research Protection, one of the agencies responsible for monitoring federally funded research. In addition, the National Institutes of Health significantly increased the number of facility inspections that these agencies perform. The Food and Drug Administration ("FDA") also has authority over the conduct of clinical trials performed in hospitals when these trials an conducted on behalf of sponsors seeking FDA approval to market the drug or device that is the subject of the research. Moreover, the Office of Inspector General (the "OIG") in its recent "Work Plans" has included several enforcement

initiatives related to reimbursement for experimental drugs and devices (including kickback concerns) and has issued compliance program guidance directed at recipients of extramural research awards from the National Institutes of Health and other agencies of the U.S. Public Health Service. The enforcement powers of agencies with oversight of clinical research range from substantial fines and penalties to exclusion of researchers and suspension or termination of entire research programs. Billing of the Medicare Program for experimental care provided to patients that is not eligible for Medicare reimbursement can subject the Corporation to sanctions as well as repayment obligations.

Negative Rankings Based on Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures. Health plans, Medicare, Medicaid, employers, trade groups and other purchasers of health services, private standard-setting organizations and accrediting agencies use statistical and other measures in efforts to characterize, publicize, compare, rank and change the quality, safety and cost of health care services provided by hospitals and physicians. For example, the ACA created the Patient-Centered Outcomes Research Institute ("PCORI") similar to review the effectiveness of treatments and medications in federally-funded health care programs. The PCORI publishes the results of its studies. An adverse finding result may result in a treatment or product being removed from Medicare or Medicare coverage. Published rankings such as "score cards," Pay For Performance ("P4P") and other financial and non-financial incentive programs are being introduced to affect the reputation and revenue of hospitals and the members of their medical staffs and to influence the behavior of consumers and providers such as the Corporation. Currently prevalent are measures of quality based on clinical outcomes of patient care, reduction in costs, patient satisfaction, and investment in health information technology. Measures of performance set by others that characterize a hospital negatively may adversely affect its reputation and financial condition.

Regulatory Environment

"Fraud" and "False Claims." Health care "fraud and abuse" laws have been enacted at the federal and state levels to broadly regulate the provision of services to government program beneficiaries and the methods and requirements for submitting claims for services rendered to the beneficiaries. Under these laws, hospitals and others can be penalized for a wide variety of conduct, including submitting or causing to be submitted claims for services that are not provided, billing in a manner that does not comply with government requirements including inaccurate or misleading billing information, billing for services deemed to be medically unnecessary, or billings accompanied by an illegal inducement to utilize or refrain from utilizing a service or product.

Federal and state governments have a broad range of criminal, civil and administrative sanctions available to penalize and remediate health care fraud, including the exclusion of a hospital from participation in the Medicare, Medicaid and CHIP programs, treble damages, civil monetary penalties, and suspension of Medicare/Medicaid payments. Fraud and abuse cases may be prosecuted by one or more government entities and/or private individuals, and more than one of the available sanctions may be, and often are, imposed for each violation.

Laws governing fraud and abuse may apply to a hospital and to nearly all individuals and entities with which a hospital does business. Fraud investigations, settlements, prosecutions and related publicity can have a catastrophic effect on hospitals. See "— Enforcement Activity," below. Major elements of these often highly technical laws and regulations are generally summarized below. Violations and alleged violations may be deliberate, but also can occur in circumstances where management is unaware of the conduct in question, as a result of mistake, or where the individual participants do not know that their conduct is in violation of law. Violations may occur and be prosecuted in circumstances that do not have the traditional elements of fraud, and enforcement actions may extend to conduct that occurred in the past.

The government periodically conducts widespread investigations covering categories of services or certain accounting or billing practices.

False Claims Act. The federal False Claims Act ("FCA") makes it illegal to submit or present a false, fictitious or fraudulent claim to the federal government, and may under certain circumstances, include claims that are simply erroneous. FCA investigations and cases have become common in the health care field and may cover a range of activity from intentionally inflated billings, to highly technical billing infractions, to allegations of inadequate care. It is not necessary that the person acted intentionally. A violation may be established if the person acted in deliberate ignorance or with reckless disregard of the truth or falsity of a claim. Violation or alleged violation of the FCA may result in settlements that require multi-million dollar payments and long-term corporate integrity agreements. The FCA also permits individuals to initiate civil actions on behalf of the government in lawsuits called "qui tam" actions. Qui tam plaintiffs, or "whistleblowers," can share in the damages recovered by the government or recover independently if the government does not intervene. Because qui tam lawsuits are kept under seal while the federal government evaluates whether the United States will join the lawsuit, it is generally impossible to determine whether any such actions under seal are pending against the Corporation and no assurances can be made that such actions will not be filed in the future. In addition, FCA penalties apply to any person, including an organization that does not contract directly with the government, who knowingly makes, uses or causes to be made or used, a false record or statement material to a false or fraudulent claim paid in part by the federal government.

Both direct enforcement activity by the government and qui tam lawsuits under the FCA have increased significantly in recent years and have increased the risk of health care providers needing to defend a FCA action, repay claims paid by the government, pay treble damages or penalties, or be excluded from the Medicare and Medicaid programs. In addition, under the ACA, providers must report and refund the overpayments before the later of 60 days after the overpayment was identified or the date any corresponding cost report is due, if applicable. Any overpayment that is retained after this deadline is considered a reverse false claim under the FCA. Pursuant to guidance issued by the United States Department of Justice in 2016 (the "Yates Memorandum"), the United States Department of Justice must consider filing parallel criminal proceedings against key corporate individuals whose conduct gave rise to FCA violations.

Payment Suspensions. The ACA requires states to suspend Medicaid payments to a provider pending an investigation or prosecution of a credible allegation of fraud against the provider.

Federal Civil Monetary Penalty Law. The federal civil monetary penalty law ("CMPL") provides for administrative sanctions against health care providers for a broad range of billing and other abuses. A health care provider is liable under the CMPL if it knowingly presents, or causes to be presented, improper claims for reimbursement under Medicare, Medicaid and other federal health care programs. A hospital that participates in arrangements known as "gainsharing" by paying a physician to limit or reduce services to Medicare fee-for-service beneficiaries also could be subject to CMPL penalties. A health care provider that provides benefits to Medicare or Medicaid beneficiaries that such provider knows or should know are likely to induce the beneficiaries to choose the provider for their care also could be subject to CMPL penalties. The CMPL authorizes imposition of a civil money penalty and treble damages. The ACA also amended the CMPL laws to establish various new grounds for exclusion and civil monetary penalties, as well as increased penalty thresholds for existing civil monetary penalties. The federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (the "Civil Penalties Inflation Adjustment Act") required that federal agencies, including OIG, increase civil monetary penalty amounts annually to reflect adjustments for inflation; the Civil Penalties Inflation Adjustment Act additionally required that federal agencies "catch up" civil monetary penalty amounts to reflect prior years of inflation. Health care providers may be found liable under the CMPL even when they did not have actual knowledge of the impropriety of their action. Knowingly undertaking the action is sufficient, and the term "should know" is defined to include deliberate

ignorance or reckless disregard of the truth or falsity of information on an improper claim. Ignorance of the Medicare regulations is no defense. The imposition of civil money penalties on a health care provider could have a material adverse impact on the provider's financial condition.

Anti-Kickback Law. The federal "Anti-Kickback Law" is a criminal statute that prohibits anyone from soliciting, receiving, offering or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in return for a referral (or to induce a referral) or recommendation for any item or service that is paid by any federal or state health care program. The definition of "remuneration" has been broadly interpreted to include anything of value such as gifts, discounts, rebates, waiver of payments or providing anything at less than its fair market value. A party need not have knowledge of the Anti-Kickback Law or a specific intent to violate the Anti-Kickback Law to nevertheless violate the Anti-Kickback Law. The Anti-Kickback Law applies to many common health care transactions between persons and entities with which a hospital does business, including hospital-physician joint ventures, medical director agreements, physician recruitment agreements, physician office leases, physician employment agreements and other transactions and has been interpreted to cover any arrangement where one purpose of the remuneration was to obtain or pay money for the referral of services to induce further referrals, or to generate business. Both parties to the arrangement are liable. Even if the hospital does not file claims for reimbursement by federally funded health care programs, it could still be subject to the Anti-Kickback Law to the extent it has referral or financial relationships with other parties that do file claims with those programs. In addition to certain statutory exceptions to the Anti-Kickback Law, the OIG has promulgated a number of regulatory "safe harbors" under the Anti-Kickback Law designed to protect certain payment and business practices.

Violation or alleged violation of the Anti-Kickback Law may result in criminal prosecution, exclusion from participating in all federally-funded health care programs, settlements that may require multi-million dollar payments and costly corporate integrity agreements. The Anti-Kickback law can be prosecuted either criminally or civilly. Violation is a felony, subject to potentially substantial fines, imprisonment for up to five years, and/or exclusion from the Medicare and Medicaid programs, any of which would have a significant detrimental effect on the financial stability of most hospitals. In addition, significant civil monetary penalties and treble damages may be imposed. Increasingly, the federal government is prosecuting violations of the Anti-Kickback Law under the FCA, based on the argument that claims resulting from an illegal kickback arrangement are also false claims for FCA purposes. The IRS has taken the position that hospitals that are in violation of Anti-Kickback Law also may be subject to revocation of their tax-exempt status.

State "Fraud," "False Claims," Anti-Kickback and Anti-Referral Laws. Health care providers in California are subject to a variety of state laws related to false claims (similar to the FCA or that are generally applicable false claims or anti-fraud laws), anti-kickback (similar to the federal Anti-Kickback Law or that are generally applicable anti-kickback or fraud laws), and physician referral (similar to the hereinafter discussed Stark statute). These prohibitions are similar in public policy and scope to the federal laws. The California Attorney General and the Commissioner of Insurance have recently increased enforcement activity under these statutes, and they pose the possibility of material adverse impact for the same reasons as the federal statutes.

Stark Referral Law. The federal "Stark" statute prohibits the referral of Medicare or Medicaid patients for certain designated health services (including inpatient and outpatient hospital services, clinical laboratory services, and radiation and other imaging services) to entities with which the referring physician or the physician's family members has a financial relationship unless that relationship fits within a Stark exception. Importantly, the Stark statute prohibits an entity receiving a prohibited referral from filing a claim or billing for the services arising out of the prohibited referral. The prohibition applies regardless of the reasons for the financial relationship and the referral. Unlike the federal Anti-Kickback Law, no finding of intent to violate the Stark statute is required.

The Stark law is of particular concern to hospitals that are dependent upon patient referrals from physicians for the designated health services provided by the hospital. Many ordinary business practices and economically desirable arrangements between hospitals and physicians, including employment and professional service agreements, constitute "financial relationships" within the meaning of the Stark statute, thus triggering the prohibition on referrals and billing. Most providers of the designated health services with physician relationships have some exposure to liability under the Stark statute. Several rounds of recent revisions to the Stark regulations and the CMS comments preceding them have made the Stark statute more difficult to interpret clearly; this increases the possibility that inadvertent violations may occur. In addition, CMS continues to revise, supplement and update its interpretation of the Stark law, and ACA enacted various changes to the Stark law that expand the scope of the Stark law restrictions on hospitals.

The Stark statute is a "strict liability" statute, and, because of its complexity, is relatively easy to violate, even if such violation is inadvertent and unintentional. For example, although the statute excepts some arrangements as long as certain criteria are satisfied, an arrangement may violate the Stark statute by virtue of relatively minor technical issues, such as a lack of appropriate signatures on the contract or failure to renew the contract before the expiration date. Matters of technical noncompliance may require a hospital to self-disclose such noncompliance to CMS, and may subject a hospital to an obligation to repay all Medicare and Medicaid payments resulting from the prohibited referrals in addition to fines and penalties.

Medicare or Medicaid may deny payment for all services related to a prohibited referral. A hospital that has billed for prohibited services may be obligated to refund the amounts collected from the Medicare or Medicaid program. For example, if an office lease, a medical director agreement or a physician recruitment or retention agreement between a hospital and a large group of heart surgeons is found to violate the Stark statute, the hospital could be obligated to repay CMS for the payments received from Medicare for all of the heart surgeries performed by all of the physicians in the group for the duration of the lease; a potentially significant amount. In addition, sanctions for violation of the Stark statute may include civil penalties, treble damages, or exclusion from the Medicare and Medicaid programs. The federal government frequently initiates and resolves cases against hospitals and health systems that are based upon alleged violations of the Stark statute. Potential repayments to CMS, settlements, fines or exclusion for a Stark violation or alleged violation could have a material adverse impact on a hospital.

Criminal Health Care Fraud Statute. The DHHS Office of Inspector General has begun to include references to the criminal health care fraud statutes in its educational materials. The statute prohibits any person from knowingly and willfully executing or attempting to execute any scheme or artifice to defraud a health care benefit program or to obtain by false representations any money owned by or under the custody or control of a health benefit program in connection with the delivery of or payment for health care benefits, items, or services. A person convicted shall be fined, imprisoned for up to ten years, or both. If the violation results in serious bodily injury, the term of imprisonment is up to twenty years, and if a person dies as a result of the offense, the defendant may be imprisoned for life. A person need not have specific intent to commit a violation of this statute in order to commit an offense. Since the issuance of the Yates Memorandum, which requires federal prosecutors to consider filing parallel criminal charges in false claims cases, this statute has become a more predominant risk. Should a board member, officer, or other key employee be convicted of criminal health care fraud under the statute, the conviction could constitute a material adverse event for the Corporation due to restitution and recoupment obligations, increased exclusion risks, and reputational harm.

Patient Records and Patient Confidentiality. HIPAA adds additional criminal sanctions for health care fraud and applies to all health care benefit programs, whether public or private. HIPAA also provides for punishment of a health care provider for knowingly and willfully embezzling, stealing, converting or intentionally misapplying any money, funds, or other assets of a health care benefit program. A health care provider convicted of health care fraud could be subject to mandatory exclusion from Medicare.

HIPAA addresses the confidentiality of individuals' health information. Disclosure of certain broadly defined, protected health information is prohibited unless expressly permitted under the provisions of HIPAA and applicable regulations or authorized by the patient. HIPAA's confidentiality provisions extend not only to patient medical records, but also to a wide variety of health care clinical and financial settings where patient privacy restrictions often impose new communication, operational, accounting and billing restrictions. These add costs and create potentially unanticipated sources of legal liability.

HIPAA imposes civil monetary penalties for violations and criminal penalties for knowingly obtaining or using individually identifiable health information.

The Recovery Act includes broad, sweeping changes to the HIPAA provisions regarding confidentiality of patient medical records. In general, the Recovery Act increases penalties for violations of patient medical record confidentiality and strengthens enforcement and oversight.

The HITECH Act. Title XIII of the American Recovery & Reinvestment Act of 2009, known as the Health Information Technology and Economic and Clinical Health Act (the "HITECH"), increases the maximum civil monetary penalties for violations of HIPAA and grants enforcement authority of HIPAA to state attorneys general. The HITECH Act also (i) extends the reach of HIPAA beyond "covered entities," (ii) imposes a breach notification requirement on HIPAA covered entities, (iii) limits certain uses and disclosures of individually identifiable health information, and (iv) restricts covered entities' marketing communications.

The HITECH Act also established programs under Medicare and Medicaid to provide incentive payments for the implementation and "meaningful use" of certified electronic health records ("CEHRT") by physicians and health care providers. Incentives were paid according to a schedule set forth in the HITECH Act, and a particular health care provider's or physician's incentive payments will be determined upon eligibility criteria and the date such health care provider or physician becomes a "meaningful user" of CEHRT. Health care providers and physicians that fail to become meaningful users of CEHRT systems in accordance with the HITECH Act's schedule are subject to a reduction in Medicare payments as well as recoupment of all incentive payments.

Security Breaches and Unauthorized Releases of Personal Information. Federal, state and local authorities are increasingly focused on the importance of protecting the confidentiality of individuals' personal information, including patient health information. Additionally, cyber criminals are increasingly targeting health care providers. Many health care providers have been subject to ransomware attacks where cyber criminals encrypt patient and other information and deny providers access to such information unless a ransom is paid. Such attacks can seriously disrupt operations and even pose a danger to patients. Most states have enacted laws requiring businesses to report to regulators and to notify affected individuals of security breaches that result in the unauthorized release of personal information. In some states, reporting and notification requirements may be triggered even where information has not been used or disclosed, but rather has been inappropriately accessed. State consumer protection laws may also provide the basis for legal action for privacy and security breaches and frequently, unlike HIPAA, authorize a private right of action. In particular, the public nature of security breaches exposes health organizations to increased risk of individual or class action lawsuits from patients or other affected persons, government enforcement, business costs (such as customer turnover) and remediation expenses. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could consequently damage a health care provider's reputation and materially adversely affect business operations.

Exclusions from Medicare or Medicaid Participation. The government must exclude from Medicare and Medicaid program participation a health care provider that is convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program; any criminal offense relating to patient neglect or abuse in connection with the delivery of health care; a felony conviction for fraud, breach of fiduciary duty, or other financial misconduct against any federal, state or locally financed health care program; or a felony conviction relating to the illegal manufacture, distribution, prescription, or dispensing of a controlled substance. The government also may exclude individuals or entities under certain other circumstances, such as a misdemeanor conviction of fraud or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program; misdemeanor conviction for the illegal manufacture, distribution, prescription, or dispensing of a controlled substance, license revocation or suspension; obstruction of an investigation or audit relating to the use of health care funds or certain criminal convictions; and certain other regulatory violations. Exclusion from the Medicare and or Medicaid program means that a health care provider would be ineligible to provide either clinical services that are payable by federal programs or administrative services to entities that are enrolled as Medicare, Medicaid, or CHIP providers. The ACA further requires that a provider who has been excluded or whose participation was excluded from Medicare, a state Medicaid program, or a state CHIP program for reasons of fraud, integrity, or quality must also be excluded by Medicare and the Medicaid and CHIP programs in every other state. Any health care provider exclusion would be a materially adverse event.

Administrative Enforcement. Administrative regulations may require less proof of a violation than do criminal laws, and, thus, health care providers may have a higher risk of imposition of monetary penalties or other corrective actions as a result of administrative or civil enforcement actions.

Compliance with Conditions of Participation. CMS, in its role of monitoring participating providers' compliance with conditions of participation in the Medicare program, may determine that a provider is not in compliance with its conditions of participation. In that event, a notice of termination of Medicare certification may be issued or other sanctions potentially could be imposed. The loss of Medicare certification by the Corporation or any additional Member of the Obligated Group would have a materially adverse effect on the results of operations and financial condition of the Obligated Group.

EMTALA. The Emergency Medical Treatment and Active Labor Act ("EMTALA") is a federal civil statute that requires hospitals and facilities with emergency departments to treat or conduct a medical screening for emergency conditions and to stabilize a patient's emergency medical condition before releasing, discharging or transferring the patient. The medical screening and stabilizing treatment must be provided without regard to the patient's insurance coverage or ability to pay. A hospital that violates EMTALA is subject to civil penalties of up to $50,000 per offense and exclusion from the Medicare and Medicaid programs. In addition, the hospital may be liable for any claim by an individual who has suffered harm as a result of a violation. Civil monetary penalties for violation of EMTALA escalate with inflation.

Licensing, Surveys, Investigations and Audits. Health facilities are subject to regulation, accreditation, certification and professional requirements. These include but are not limited to The Joint Commission and state licensing agencies. Accrediting bodies periodically review their accreditations of health care facilities and recommend certain actions or impose conditions on an existing accreditation. Although accrediting organizations are private entities, they play an important role in the Medicare program. A hospital will be deemed to have met the Medicare "Conditions of Participation" (and eligible for Medicare payment) if it is accredited by The Joint Commission or another acceptable accrediting organization. However, at any time, CMS may still require a survey of a hospital by a state agency to determine whether the hospital actually meets the Conditions of Participation. Loss of or limitations imposed on hospital licenses or accreditations could reduce hospital utilization or revenues or a hospital's ability to operate all or a portion its facilities.

Billing and Reimbursement. Many of the Corporation's services are paid for by third-party governmental or commercial payors. These third-party payors typically have differing and complex billing and documentation requirements that must be satisfied in order to receive payment for services. Reimbursement is typically conditioned on providing the correct procedure and diagnostic codes and properly documenting the services themselves, including the level of service provided, the medical necessity for the services, the site of service, and the identity of the physician, nurse or technician who provided the service. Hospitals must also comply with numerous other state and federal laws applicable to documentation, and the claims submitted for payment, including but not limited to (i) "coordination of benefits" rules that dictate which payor must be billed first when a patient has potential coverage from multiple payors, (ii) requirements to obtain the signature of the patient or patient representative in some instances, or, in certain cases, alternative documentation, prior to submitting a claim, (iii) requirements to make repayment within a specified period of time to any payor which pays more than the amount to which the hospital is entitled, (iv) "reassignment" rules governing the facility's ability to bill and collect professional fees on behalf of physicians and other clinical providers, (v) requirements that electronic claims for payment be submitted using certain standardized transaction codes and formats and (vi) laws requiring the entity to handle all health and financial information of our patients in a manner that complies with specified security and privacy standards. Private and governmental third-party payors carefully audit and monitor a hospital's compliance with these and other applicable rules. If the Hospital's operations are found to be in violation of these or any of the other laws which govern its activities, any resulting penalties, damages, fines or other sanctions could adversely affect the Hospital's ability to operate its business and its costs or revenue.

Professional Licensing and Certification. The Corporation's physicians, nurses and technicians, as well as the third-party payors with which we have a relationship are subject to ethical guidelines and operating standards of professional and trade associations and private accreditation agencies. Compliance with these guidelines and standards is often required by the contracts with payors. Failure to comply with these laws can result in civil and criminal penalties such as fines, damages, overpayment recoupment, loss of enrollment status or exclusion from government healthcare programs. The risk of being found in violation of these laws and regulations is increased by the fact that many of them have not been fully interpreted by regulatory authorities or the courts, and their provisions are sometimes open to multiple interpretations. The laws, regulations and standards governing the provision of healthcare services may change significantly in the future. New or changed healthcare laws, regulations or standards may materially and adversely affect the Corporation's business. In addition, a review of the Hospital's business by judicial, law enforcement, regulatory or accreditation authorities could result in a determination that could adversely affect its operations.

Environmental and Safety Laws and Regulations. Health facilities are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. These include, but are not limited to: (i) air and water quality control requirements; (ii) waste management requirements; (iii) specific regulatory requirements applicable to asbestos, polychlorinated biphenyls and radioactive substances; (iv) requirements for providing notice to employees and members of the public about hazardous material handled by or located at the health facility; (v) requirements for training employees in the proper handling and management of biohazardous and other hazardous materials and wastes; (vi) building and construction codes, fire codes, and life safety standards; (vii) qualifications and credentials of medical and support personnel; (viii) adequacy of medical care, equipment, personnel, and operating policies and procedures; (ix) governance boards and organizational plans for facility compliance and oversight; (x) required services and treatment lines and operating hours; (xi) facility licensure; (xii) maintenance and protection of medical records; (xiii) development of infection control and quality improvement policies and procedures; (xiv) patient transfer agreements and patient transfer plans; and (xv) other requirements.

Health facilities may be subject to requirements related to investigating and remedying hazardous substances located on their property, including such substances that may have migrated off the property. Typical health facility operations include the handling, use, storage, transportation, disposal and/or discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants and contaminants. As such, hospital operations are particularly susceptible to the practical, financial and legal risks associated with compliance with such laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and/or increase their cost; may result in legal liability, damages, injunctions or fines; and may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance.

Enforcement Activity. Enforcement activity against health care providers has increased, and enforcement authorities have adopted aggressive approaches. In the current regulatory climate, it is anticipated that many hospitals and physician groups will be subject to an audit, investigation, or other enforcement action regarding the health care fraud laws mentioned above.

Enforcement authorities are often in a position to compel settlements by providers charged with, or being investigated for, false claims violations by withholding or threatening to withhold Medicare, Medicaid and/or similar payments and/or by instituting criminal action. In addition, the Insurance Fraud Prevention Act provides a vehicle for anti-fraud prosecutions. The cost of defending such an action, the time and management attention consumed, and the facts of a case may dictate settlement. Therefore, regardless of the merits of a particular case, a hospital could experience materially adverse settlement costs, as well as materially adverse costs associated with implementation of any settlement agreement. Prolonged and publicized investigations could be damaging to the reputation and business of a hospital, regardless of outcome.

Certain acts or transactions may result in violation or alleged violation of a number of the federal and state health care fraud laws described above, and therefore penalties or settlement amounts often are compounded. Generally, these risks are not covered by insurance. Enforcement actions may involve multiple hospitals or other facilities in a health system, as the government often extends enforcement actions regarding health care fraud to other hospitals in the same organization. Therefore, the risks identified as being materially adverse as to a hospital or health care provider could have materially adverse consequences to a health system, taken as a whole.

340B Drug Discount Program. The 340B Drug Program requires drug manufacturers to provide discounts to certain safety net health providers, including DSH hospitals. In 2012, the DHHS Health Resources and Services Administration ("HRSA"), which is vested with oversight authority over the 340B Drug Program, began a significant audit initiative against 340B entities, and in some cases determined that the health system was ineligible to participate in the 340B Program or ordered the health system to remedy improper discounts to the manufacturers, the state Medicaid program, or both through repayments or corrective action plans. HRSA published a set of proposed regulatory guidance requirements published by HRSA on August 28, 2015. The proposed mega-guidance significantly restricts the circumstances under which a health system's prescribers may order 340B-discounted drugs, imposes requirements on the health system to exercise meaningful oversight and review of all offsite or contract pharmacies, and modifies the criteria by which a patient is eligible to receive 340B-discounted drugs by creating a six-part eligibility test. HRSA indicates that each patient's eligibility must be determined on a case by case basis. Most health entities participating in the 340B Program have relied upon automated solutions to ensure that all prescriptions, dispensing, and inventory replenishment complied with 340B Program standards. Those solutions may or may not be equipped to assure compliance under the new regulatory guidance. A hospital that participates in the 340B Program will experience costs of updating any automated solutions, revising policies, and ensuring adequate staffing to comply with the program's requirements. A hospital may also

experience materially adverse costs associated with losing eligibility to receive 340B discounts or being required to repay manufacturers for unsupportable discounts. Regardless of outcome, all audit reports are posted on the HRSA web site and the results could be damaging to the reputation and business of a hospital.

On November 13, 2017, CMS published a final rule revising the OPPS payments for 2018. Among a number of changes, the final rule dramatically reduces Medicare Part B payments to hospitals for separately payable drugs purchased through the 340B Program. Currently, Medicare pays hospitals the Average Sales Price ("ASP") plus 6% for these drugs regardless of whether the hospital purchased the drug at a discount through the 340B Program. Under the final rule, Medicare will pay hospitals ASP minus 22% for separately payable drugs purchased through the 340B Program. The change will reduce payments to 340B hospitals by an estimated $1.6 billion.

Whistleblower Litigation. Large employers with complex workforces, such as hospitals, are susceptible to whistleblower litigation filed by current or former employees or subcontractors and vendors. These individuals may be in a position to know of health regulatory violations of which senior management is unaware and may even discuss perceived violations with their supervisors or compliance officers. If employees are disciplined and terminated for infractions of human resources policy, they may file employment litigation, alleging that the disciplinary action was retaliatory. Employees, contractors, and vendors may also file qui tam proceedings under the federal or state false claim acts, alleging that the regulatory violations caused the hospital or health system to file improper claims for reimbursement. In qui tam proceedings, a private party bringing an action on the government's behalf may share in a percentage of any recovery by the government. The federal and state governments may elect to intervene in the litigation, creating additional pressures to repay funds or enter into corporate integrity agreements. Moreover, in 2015 the Department of Justice issued the Yates Memorandum, which requires federal enforcement attorneys to either pursue parallel criminal investigations against responsible individuals or draft a written memorandum justifying the decision to decline criminal investigation. Thus, a hospital's employees or executives may be subject to criminal prosecution. A hospital may experience materially adverse costs associated with the repayment of claims, treble damages, and penalties. A hospital could be excluded from Medicare, Medicaid, and CHIP for False Claim Act violations. A hospital could be subject to a costly and burdensome corporate integrity agreement. Regardless of outcome, the results could be damaging to the reputation and business of a hospital.

Marketing. Sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs, patient assistance programs, and other business arrangements. Medicare Advantage and Medicaid managed care plan proposed regulations prohibit certain forms of marketing to enrollees that are designed to discriminate against beneficiaries on the basis of their health conditions or history. The proposed regulations also restrict many forms of unsolicited personal contact to enrollees and prohibit provider marketing materials from containing any false, misleading, or inaccurate statements relating to the providers' services, benefits or costs. The proposed regulations would require states to review and approve any marketing materials before they may be distributed by a network provider. These adopted and proposed regulations may require a hospital to change its internal procedures, modify its marketing materials, and invest resources in coordinating with health plan or governmental reviewers. Any changes to existing marketing efforts could create an adverse impact on the Hospital's branding and costs.

Business Relationships and Other Business Matters

Integrated Delivery Systems. Health facilities and health care systems often own, control or have affiliations with relatively large physician groups. Generally, the sponsoring health facility or health system

will be the primary capital and funding source for such alliances and may have an ongoing financial commitment to provide growth capital and support operating deficits. These types of alliances are generally designed to respond to trends in the delivery of medicine to better integrate health facilities and physician care, to increase physician availability to the community and/or to enhance the managed care capability of the affiliated health facilities and physicians. However, these goals may not be achieved, and an unsuccessful alliance may be costly and counterproductive to all of the above-stated goals.

Integrated delivery systems carry with them the potential for legal or regulatory risks in varying degrees. The ability of health facilities or health systems to conduct integrated physician operations may be altered or eliminated in the future by legal or regulatory interpretation or changes, or by health care fraud enforcement. In addition, participating physicians may seek their independence for a variety of reasons, thus putting the health facilities' or health system's investment at risk, and potentially reducing its managed care leverage and/or overall utilization.

ACA introduces the Medicare Shared Savings program, under which providers organized as accountable care organizations ("ACOs") may be eligible for additional compensation based on cost savings achieved through ACO operations. CMS has issued final regulations governing the Medicare Shared Savings program and the development of ACOs. The Federal Trade Commission and Department of Justice have also released a statement on antitrust issues related to ACO development, while the IRS has released guidance regarding tax issues. Development of ACOs is expected to provide further incentive for health facility-physician integration.

ACA requires the establishment of a Medicare pilot program for integrated care that will include bundled payments covering both health facility and physicians services. Services covered by the payment bundle will include acute care inpatient services, physician services both in and out of the acute care hospital, outpatient hospital services, and post-acute care services. It is unclear whether this or a similar bundled payment program will be implemented or required as part of the general Medicare program. If such a program is implemented, it will likely drive further hospital-physician integration.

Physician Financial Relationships. In addition to the physician integration relationships referred to above, hospitals and health care systems frequently have various additional business and financial relationships with physicians and physician groups. These are in addition to hospital-physician contracts for individual services performed by physicians in hospitals and may include: joint ventures to provide a variety of outpatient services; recruiting arrangements with individual physicians and/or physician groups; loans to physicians; medical office leases; equipment leases from or to physicians; and various forms of physician practice support or assistance. These and other financial relationships with physicians (including hospital-physician contracts for individual services) may involve financial and legal compliance risks for the hospitals and systems involved. From a compliance standpoint, these types of financial relationships may raise federal and state "anti-kickback" and federal "Stark" and related state issues (see "— Regulatory Environment," above), tax-exemption issues (see "— Tax-Exempt Status and Other Tax Matters," below), as well as other legal and regulatory risks. The government has recently increased its enforcement efforts against hospitals and health systems on the basis of their financial relationships with physicians, resulting in several significant and widely-publicized settlements at or exceeding tens of millions of dollars. These investigations could have a material adverse financial impact on hospitals and health facilities and adversely affect the reputation and business of a health system.

Antitrust. Enforcement of the antitrust laws against health care providers is becoming more common and antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities, certain pricing or salary setting activities, as well as other areas of activity. In particular, the Federal Trade Commission has publicly acknowledged increased enforcement action in the area of

physician joint contracting. Failure to develop a sufficiently integrated clinical integration program could expose the participants in such a program to liability under applicable antitrust laws. Likewise, increased enforcement action exists relating to a retrospective review of completed hospital mergers. The application of the federal and state antitrust laws to health care is evolving, and therefore not always clear. Currently, the most common areas of potential liability are joint action among providers with respect to payor contracting and medical staff credentialing disputes. In 2012, the California Attorney General began a sweeping investigation into health system payor contracting in California. This was viewed as a significant shift in California's focus on oversight of providers and provider combinations.

Violation of the antitrust laws could subject a hospital to criminal and civil enforcement action by federal and state agencies, as well as treble damage liability by private litigants. At various times, a hospital may be subject to an investigation by a governmental agency charged with the enforcement of the antitrust laws, or may be subject to administrative or judicial action by a federal or state agency or a private party. The most common areas of potential liability are joint activities among providers with respect to payor contracting, medical staff credentialing, and use of a hospital's local market power for entry into related health care businesses. From time to time, a hospital or healthy facility may be involved in joint contracting activity with other hospitals, health facilities or providers. The precise degree to which this or similar joint contracting activities may expose any healthcare provider to antitrust risk from governmental or private sources is dependent on specific facts which may change from time to time.

A U.S. Supreme Court decision now allows physicians who are subject to adverse peer review proceedings to file federal antitrust actions against hospitals. Hospitals regularly have disputes regarding credentialing and peer review and, therefore, may be subject to liability in this area. In addition, hospitals occasionally indemnify medical staff members who are involved in such credentialing or peer review activities, and may also be liable with respect to such indemnity. Recent court decisions have also established private causes of action against hospitals which use their local market power to promote ancillary health care business in which they have an interest. Such activities may result in monetary liability for the participating hospitals under certain circumstances where a competitor suffers business damage. Government or private parties are entitled to challenge joint ventures that may injure competition. Liability in any of these or other antitrust areas of liability may be substantial, depending on the facts and circumstances of each case, and may have a material adverse impact on hospitals.

Hospital Charges. Inflation in hospital charges had evoked a series of actions by the California legislatures, the Department of Managed Care, the Insurance Commissioner, the Attorney General, payors and consumers. It is possible that legislative action at the state level may be taken with regard to how hospitals charge for health care services. In addition to legislative, regulatory, administrative, and enforcement oversight, payors and consumers have repeatedly brought actions challenging hospital charges. It is expected that this will continue, and hospitals with high charges relative to their peers will be targeted.

Information Technology. The ability to adequately price and bill health care services and to accurately report financial results depends on the integrity of the data stored within information systems, as well as the operability of such systems. An ongoing commitment of significant resources is required to maintain, protect and enhance existing information systems and develop new systems to keep pace with continuing changes in information processing technology, evolving systems and regulatory standards. There can be no assurance that efforts to upgrade and expand information systems capabilities, protect and enhance these systems, and develop new systems to keep pace with continuing changes in information processing technology will be successful or that additional systems issues will not arise in the future.

Electronic media are also increasingly being used in clinical operations, including the conversion from paper to electronic medical records, computerization of order entry functions and the implementation of clinical decision-support software. The reliance on information technology for these purposes imposes

new expectations on physicians and other workforce members to be adept in using and managing electronic systems. It also introduces risks related to patient safety and to the privacy, accessibility and preservation of health information. See "— Regulatory Environment — HIPAA," above. Technology malfunctions or failure to understand and use information systems properly could result in the dissemination of or reliance on inaccurate information, as well as in disputes with patients, physicians, other health care professionals, and payors. Health information systems may also be subject to different or higher standards or greater regulation than other information technology or the paper-based systems previously used by health care providers, which may increase the cost, complexity and risk of operations. All of these risks may have adverse consequences on hospitals and health care providers.

Cybersecurity Risks. Despite the implementation of network security measures by the Corporation, its information technology systems may be vulnerable to breaches, hacker attacks, computer viruses, physical or electronic break-ins and other similar events or issues. Such events or issues could lead to the inadvertent disclosure of protected health information or other confidential information or could have an adverse effect on the ability of the Corporation to provide health care services.

Automated Systems. The Corporation depends on complex information systems and standardized procedures for clinical, operational, and financial information and billing operations. The Corporation may not have the necessary resources to enhance existing information systems or implement new systems where necessary to handle increased patient volume and changing needs. Furthermore, the Hospital may experience unanticipated delays, complications and expenses in implementing, integrating and operating such systems. Any interruptions in operations during periods of implementation would adversely affect the Corporation's ability to properly allocate resources and process billing information in a timely manner, which could result in customer dissatisfaction and delayed cash flow. In addition, the government may perform data analytics on the Corporation's automated records to assess whether claims for Medicare or Medicaid reimbursement satisfied all conditions of payment. The failure to successfully implement and maintain operational, financial and billing information systems or the use of automated systems to create overpayment liability could have an adverse effect on our ability to obtain new business, retain existing business and maintain or increase profit margins.

Indigent Care. Tax-exempt hospitals often treat large numbers of indigent patients who are unable to pay in full for their medical care. These hospitals may be susceptible to economic and political changes that could increase the number of indigents or their responsibility for caring for this population. General economic conditions that affect the number of employed individuals who have health coverage further affect the ability of patients to pay for their care. Similarly, changes in governmental policy, which may result in coverage exclusions under local, state and federal health care programs (including Medicare and Medicaid) may increase the frequency and severity of indigent treatment by such hospitals and other providers. It also is possible that future legislation could require that tax-exempt hospitals and other providers maintain minimum levels of indigent care as a condition to federal income tax exemption or exemption from certain state or local taxes.

Physician Medical Staff. The primary relationship between a hospital and physicians who practice in it is through the hospital's organized medical staff. Medical staff bylaws, rules and policies establish the criteria and procedures by which a physician may have his or her privileges or membership curtailed, denied or revoked. Physicians who are denied medical staff membership or certain clinical privileges or who have such membership or privileges curtailed or revoked often file legal actions against hospitals and medical staffs. Such actions may include a wide variety of claims, some of which could result in governmental intervention and/or substantial uninsured damages to a hospital. In addition, failure of the hospital governing body to adequately oversee the conduct of its medical staff may result in hospital liability to third parties.

Physician Supply. Sufficient community-based physician supply is important to hospitals. CMS annually reviews overall physician reimbursement formulas for Medicare and Medicaid. Changes to physician compensation under these programs could lead to physicians ceasing to accept Medicare and/or Medicaid patients. Regional differences in reimbursement by commercial and governmental payors, along with variations in the costs of living, may cause physicians to avoid locating their practices in communities with low reimbursement or high living costs. Hospitals may be required to invest additional resources in recruiting and retaining physicians, or may be compelled to affiliate with, and provide support to, physicians in order to continue serving the growing population base and maintain market share. Such arrangements present certain regulatory risks that can result in significant penalties. See "— Anti-Kickback Law" and "— Stark Referral Law" above.

Staffing. In recent years, the health care industry has suffered from a scarcity of nursing personnel, respiratory therapists, pharmacists and other trained health care technicians. A significant factor underlying this trend includes a decrease in the number of persons entering such professions. This is expected to intensify in the future, aggravating the general shortage and increasing the likelihood of hospital-specific shortages. Competition for employees, coupled with increased recruiting and retention costs will increase hospital operating costs, possibly significantly, and growth may be constrained. This trend could have a material adverse impact on the results of operations and financial condition of the Corporation and the Obligated Group. This scarcity may further be intensified if utilization of health care services increases as a consequence of the ACA's expansion of the number of insured consumers. Hospital operations, patient and physician satisfaction, financial condition and future growth could be negatively affected by physician and nursing and other technical personnel shortages, resulting in material adverse impact to hospitals and health systems.

Competition Among Health Care Providers. Increased competition from a wide variety of sources, including specialty hospitals, other hospitals and health care systems, inpatient and outpatient health care facilities, long-term care and skilled nursing services facilities, clinics, physicians and others, may adversely affect the utilization and/or revenues of hospitals. Existing and potential competitors may not be subject to various restrictions applicable to hospitals, and competition, in the future, may arise from new sources not currently anticipated or prevalent. The strong market position of Kaiser Permanente, a closed managed care system, presents additional challenges because Kaiser directs nearly all of its members to Kaiser hospitals and Permanente physicians for care.

Specialty hospital developments that attract away an important segment of an existing hospital's admitting specialists and/or services that generate a significant source of revenue may be particularly damaging. For example, some large hospitals may have significant dependence on heart surgery programs, as revenue streams from those programs may cover significant fixed overhead costs. If a significant component of such a hospital's heart surgeons develop their own specialty heart hospital (alone or in conjunction with a growing number of specialty hospital operators and promoters), taking with them their patient base, the hospital could experience a rapid and dramatic decline in net revenues that is not proportionate to the number of patient admissions or patient days lost. It is also possible that the competing specialty hospital, as a for-profit venture, would not accept indigent patients or other payors and government programs, leaving low-pay patient populations in the full-service hospital. In certain cases, such an event could be materially adverse to such hospital. A provision contained in the ACA has all but eliminated the development and expansion of specialty hospitals, nonetheless, specialty hospitals continue to represent a significant competitive challenge for full-service hospitals.

Likewise, freestanding ambulatory surgery centers may attract away significant commercial outpatient services traditionally performed at hospitals. Commercial outpatient services, currently among the most profitable for hospitals, may be lost to competitors who can provide these services in an alternative, less costly setting. Full-service hospitals rely upon the revenues generated from commercial outpatient

services to fund other less profitable services, and the decline of such business may result in the significant reduction of profitable income. Competing ambulatory surgery centers, more likely a for-profit business, may not accept indigent patients or low paying programs and would leave these populations to receive services in the hospital setting. Consequently, hospitals are vulnerable to competition from ambulatory surgery centers.

Hospitals and other health care providers face increased pressure to be transparent and provide information about cost and quality of services, which may lead to a loss of business as consumers and others make choices about where to receive health care services based upon published information.

Additionally, scientific and technological advances, new procedures, drugs and appliances, preventive medicine and outpatient health care delivery may reduce utilization and revenues of the hospitals in the future or otherwise lead the way to new avenues of competition. These advances may add greatly to the costs of providing health care services with potentially no or little offsetting increase in reimbursement from payors and may also render obsolete certain of the health services provided by health care providers. In some cases, hospital investment in facilities and equipment for capital-intensive services may be lost as a result of rapid changes in diagnosis, treatment or clinical practice brought about by new technology or new pharmacology.

Employer Status. Hospitals are major employers, with mixed technical and non-technical workforces. Labor costs, including salary, benefits and other liabilities associated with the workforce, have significant impacts on hospital operations and financial condition. Developments affecting hospitals as major employers include: (1) imposing higher minimum or living wages; (2) enhancing occupational health and safety standards; and (3) penalizing employers of undocumented immigrants. Legislation or regulation or judicial or administrative decisions on any of the above or related topics could have a material adverse effect on a hospital's operations.

Labor Relations. Hospitals are large employers with a wide diversity of employees. Increasingly, employees of hospitals are becoming unionized, and many hospitals have collective bargaining agreements with one or more labor organizations. Dealing with a new bargaining unit or negotiating collective bargaining agreements may result in significant cost increases to hospitals. Employee strikes or other adverse labor actions may have an adverse impact on operations, revenue and hospital reputation.

Wage and Hour Class Actions and Litigation. Federal law and many states impose standards related to worker classification, eligibility and payment for overtime, liability for providing rest periods and similar requirements. Large employers with complex workforces, such as hospitals, are susceptible to actual and alleged violations of these standards. In recent years there has been a proliferation of lawsuits over these "wage and hour" issues, often in the form of large, sometimes multi-state, class actions. For large employers such as hospitals and health systems, such class actions can involve multi-million dollar claims, judgments and/or settlements. A major class action decided or settled adversely to the Corporation could have a material adverse impact on its results of operations and financial condition. [*Note: To include cross-references to Material Litigation and Appendix A discussions of such lawsuits, if applicable to the Corporation.*]

Other Class Actions. Nonprofit hospitals and health systems have long been subject to a wide variety of litigations risks, including liability for care outcomes, employer liability, property and premises liability, billing, charging, and collections practices, among others. In recent years, consumer class action litigation has emerged as a potentially significant source of litigation liability for nonprofit hospitals and health systems. These class action suits have most recently focused on hospital billing and collections practices, and they may be used for a variety of currently unanticipated causes of action. Since the subject matter of class action suits may involve uninsured risks, and since such actions often involved alleged large

classes of plaintiffs and a large number of patient encounters, they may have material adverse consequences on hospitals and health systems in the future.

Health Care Worker Classification. Health care providers, like all businesses, are required to withhold income taxes from amounts paid to employees. If the employer fails to withhold the tax, the employer becomes liable for payment of the tax imposed on the employee. On the other hand, businesses are not required to withhold federal taxes from amounts paid to a worker classified as an independent contractor. The IRS has established criteria for determining whether a worker is an employee or an independent contractor for tax purposes. If the IRS were to reclassify a significant number of hospital independent contractors (e.g., physician medical directors) as employees, back taxes and penalties could be material.

Professional Liability Claims and General Liability Insurance. In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased in health care nationwide, resulting in substantial increases in malpractice insurance premiums, higher deductibles and generally less coverage. Professional liability and other actions alleging wrongful conduct and seeking punitive damages are often filed against health care providers. Insurance does not provide coverage for judgments for punitive damages.

CMS does not reimburse hospitals under the Medicare program for medical costs arising from certain "never events," which include specific preventable medical errors such as performing surgery on the wrong body part. A similar rule has been adopted under the Medicaid program. It is anticipated that HMOs and other private insurers may follow suit. The occurrence of "never events" may be more likely to be publicized and may negatively impact a hospital's reputation, thereby reducing future utilization and potentially increasing the possibility of liability claims.

Litigation also arises from the corporate and business activities of hospitals, from a hospital's status as an employer or as a result of medical staff or provider network peer review or the denial of medical staff or provider network privileges. As with professional liability, many of these risks are covered by insurance, but some are not. For example, some antitrust claims or business disputes are not covered by insurance or other sources and may, in whole or in part, be a liability of the hospital if determined or settled adversely.

There is no assurance that hospitals will be able to maintain coverage amounts currently in place in the future, that the coverage will be sufficient to cover malpractice judgments rendered against a hospital or that such coverage will be available at a reasonable cost in the future.

Medical Liability Litigation and Insurance. Medical liability litigation is subject to public policy determinations and legal and procedural rules that may be altered from time to time, with the result that the frequency and cost of such litigation, and resultant liabilities, may increase in the future. Health systems may be affected by negative financial and liability impacts on physicians.

Nonprofit Health Care Environment

The Corporation is a not-for-profit entity, exempt from federal income taxation as an organization described in Section 501(c)(3) of the Code. The tax-exempt status afforded nonprofit hospitals is increasingly being threatened. Nonprofit tax-exempt organizations such as the Corporation are subject to federal, state and local laws, regulations, rulings and court decisions relating to their organization and operation, including operation for religious and charitable purposes. At the same time, nonprofit healthcare providers conduct large-scale complex business transactions. There can often be a tension between the rules designed to regulate a wide range of charitable organizations and the day-to-day operations of a complex, multi-facility health care organization.

The operations or practices of health care providers are routinely challenged or questioned to determine if they are consistent with the tax exemption benefits conferred on such providers or the regulatory requirements for nonprofit tax-exempt organizations. These challenges, in some cases, are broader than concerns about compliance with federal and state statutes and regulations, such as Medicare and Medicaid compliance, and instead are examinations of core business practices of the health care organizations. An overarching concern is that nonprofit hospitals may not confer community benefits that exceed or are equal to the benefit received from their tax-exempt status. Areas that have come under examination include pricing practices, billing and collection practices, charitable care, providing and reporting community benefit, executive compensation, exemption of property from real property taxation, and others. These challenges and questions arise from a variety of sources, including state attorneys general, the IRS, labor unions, Congress, state legislatures, and patients, and in a variety of forums, including hearings, audits and litigation. Such challenges include class action litigation in various jurisdictions concerning hospital pricing practices with respect to the uninsured or underinsured. Some of these challenges and examinations are described below.

Congressional Hearings. Senate and House committees have conducted several nationwide investigations of hospital billing and collection practices and prices charged to uninsured patients and have considered reforms to the nonprofit sector, including proposed reform in the area of tax-exempt healthcare organizations, as part of health care reform generally. The ACA includes Section 501(r) of the Code which addresses these issues (see "— Tax-Exempt Status and Other Tax Matters — Maintenance of the Tax-Exempt Status of the Corporation"). The fact that Congress enacted legislation in this area does not mean that Congress will not enact additional legislation in the future.

Tax-Exempt Bond Examinations. IRS officials have indicated that increased resources will be invested in audits of tax-exempt bonds in the charitable sector. Schedule K to the Form 990 Return is intended to address what the IRS believes is significant noncompliance with recordkeeping and record retention requirements applicable to tax-exempt bond issues such as the Series 2018B Bonds. Schedule K also requires tax-exempt organizations to report on the investment and use of tax-exempt bond proceeds to address IRS concerns regarding compliance with arbitrage rebate requirements and the private use of tax-exempt bond-financed facilities.

IRS Examination of Compensation Practices. In 2009, the IRS issued its Hospital Compliance Project Final Report (the "IRS Final Report") that examined tax-exempt hospitals' practices and procedures with regard to compensation and benefits paid to their officers and other defined "insiders." The IRS Final Report indicated that the IRS will continue to scrutinize executive compensation arrangements, practices and procedures of tax-exempt hospitals and other tax-exempt organizations and, in certain circumstances, may conduct further investigations or impose fines or tax-exempt organizations.

Litigation Relating to Billing and Collection Practices. Lawsuits have been filed in both federal and state courts alleging, among other things, that tax-exempt hospitals have failed to fulfill their obligations to provide charity care to uninsured patients and have overcharged uninsured patients. Other cases have alleged that charging patients more for services furnished in a hospital-based setting is a wrongful or deceptive practice. Many of these cases have since been dismissed by the courts. Some hospitals and health systems have entered into substantial settlements.

Community Benefit Initiatives. On December 29, 2014, the Secretary of the Treasury issued final regulations interpreting the requirements of Section 501(r) of the Code which focus on community benefit initiatives of hospitals. The regulations provide detailed and comprehensive guidance related to the requirements for community health needs assessments, financial assistance policies, emergency care policies, limitations on charges and billing and collection practices, and also provide guidance on consequences of failure to satisfy Section 501(r) requirements. These final regulations are complex and

may be administratively burdensome to implement. Generally, the regulations apply to tax years beginning after December 29, 2015, and provide that a hospital may rely on a reasonable, good faith interpretation of the Section 501(r) requirements for tax years beginning on or before December 29, 2015, which could include compliance with certain of the proposed regulations under Section 501(r). Form 990 includes a new schedule, Schedule H, which hospitals and health systems must use to report their community benefit activities, including the cost of providing charity care and other tax-exemption related information. California law requires hospitals to maintain written policies about discount payment and charity care and provide copies of such policies to patients and the OSHPD. California hospitals are also required to follow specific billing and collection procedures. Revisions to California's law governing hospital charity care and fair pricing policies went into effect on January 1, 2015. The new law changes the definition of a person with high medical costs to include those who have third-party coverage and requires hospitals to agree to a default "reasonable payment plan" not to exceed 10% of the patient's income. Noncompliance with the law may be the basis for the imposition of penalties by the California Department of Public Health.

State Oversight. Nonprofit corporations are subject to oversight and examination by state attorneys general to ensure their charitable purposes are being carried out, that their fundraising and investment activities comply with state law, that the terms of charitable gifts are followed, and that acquisitions, dispositions, and reorganizations are in the public interest. This oversight can limit some of the options available to tax-exempt entities in California, as the Attorney General of California has taken a keen interest in these issues.

California Auditor Investigation of Exempt Status of Nonprofit Hospitals. In August 2011, California's Joint Legislative Audit Committee directed the California Bureau of State Audits to investigate whether California nonprofit hospitals are providing enough charity care and community benefit to justify their tax-exempt status. A report was issued on August 9, 2012 that summarized the findings and recommended that the California Legislature (i) amend state law to include requirements with respect to the amount of community benefits a hospital provides, (ii) define a standard methodology for calculating the community benefits a hospital delivers, and (iii) amend state law to allow assessment of a penalty against hospitals that are not in compliance with submitting community benefit plans to OSHPD. See "— Tax-Exempt Status and Other Tax Matters" below.

Challenges to Real Property Tax Exemptions and Related Matters. The real property tax exemptions afforded to certain nonprofit health care providers by state and local taxing authorities continue to be challenged on the grounds that the health care providers were not engaged in sufficient charitable activities. These exemptions may apply to both real property owned outright and real property leased to another party (sometimes referred to as "possessory interest"). The bases for these challenges generally include nonuse of real property for the charitable object of the tax-exempt organization, use by a non-exempt party, inadequate levels of public benefit and uncompensated care, aggressive billing and collection practices, and excessive financial margins. Several of these challenges have resulted in litigation or at least expensive audits by state and local authorities. The litigation has resulted in several settlements where the tax-exempt organizations have agreed to pay to the local taxing authority payments in lieu of taxes and, in at least one instance, revocation of the state real property tax exemption of the organization. In addition, it should be noted that creation or transfer of certain leasehold interests, even by exempt organizations, can result in the imposition of documentary transfer taxes.

The foregoing are some examples of the challenges and examinations facing nonprofit health care organizations. They are indicative of a greater scrutiny of the billing, collection and other business practices of these organizations and may indicate an increasingly difficult operating environment for health care organizations such as the Corporation.

Tax-Exempt Status and Other Tax Matters

Maintenance of the Tax-Exempt Status of the Corporation. The tax-exempt status of the Series 2018B Bonds presently depends upon maintenance by the Corporation of status as an organization described in Section 501(c)(3) of the Code. The maintenance of such status is contingent on compliance by the Corporation with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable and other permissible purposes and their avoidance of transactions that may cause their earnings or assets to inure to the benefit of private individuals. As these general principles were developed primarily for public charities that do not conduct large-scale technical operations and business activities, they often do not adequately address the myriad of operations and transactions entered into by a modern health care organization. Although traditional activities of health care providers, such as certain management contracts and other use arrangements, have been the subject of interpretations by the IRS in the form of Private Letter Rulings, many activities or categories of activities have not been fully addressed in any official opinion, interpretation or policy of the IRS.

The ACA also contains new requirements for tax-exempt hospitals. Under Section 501(r) of the Code, enacted as part of the ACA, each tax-exempt hospital facility is required, to (i) conduct a community health needs assessment at least every three years and adopt an implementation strategy to meet the identified community needs, (ii) adopt, implement and widely publicize a written financial assistance policy and a policy to provide emergency medical treatment without discrimination, (iii) limit charges to individuals who qualify for financial assistance under such tax-exempt hospital's financial assistance policy to no more than the amounts generally billed to individuals who have insurance covering such care and refrain from using "gross charges" when billing such individuals, and (iv) refrain from taking extraordinary collection actions without first making reasonable efforts to determine whether the individual is eligible for assistance under such tax-exempt hospital's financial assistance policy. In addition, the Treasury Department is required to review information about each tax-exempt hospital's community benefit activities at least once every three years, as well as to submit an annual report to Congress with information regarding the levels of charity care, bad debt expenses, unreimbursed costs of government programs, and costs incurred by tax-exempt hospitals for community benefit activities. The periodic reviews and reports to Congress regarding the community benefits provided by 501(c)(3) hospitals may increase the likelihood that Congress will require such hospitals to provide a minimum level of charity care in order to retain tax-exempt status and may increase IRS scrutiny of particular 501(c)(3) hospital organizations.

[The Corporation participates in a variety of joint ventures and transactions with physicians either directly or indirectly.][*Note: To be confirmed.*] Management of the Corporation believes that the joint ventures and transactions to which the Corporation is a party are consistent with the requirements of the Code as to tax-exempt status, but, as noted above, there is uncertainty as to the state of the law.

The IRS has periodically conducted audit and other enforcement activity regarding tax-exempt health care organizations. The IRS conducts special audits of large tax-exempt health care organizations with at least $500 million in assets or $1 billion in gross receipts. Such audits are conducted by teams of revenue agents, often take years to complete and require the expenditure of significant staff time by both the IRS and taxpayers. These audits examine a wide range of possible issues, including tax-exempt bond financing, partnerships and joint ventures, retirement plans and employee benefits, employment taxes, political contributions and other matters.

Management of the Corporation believes that the Corporation is in compliance with the tax laws. Nevertheless, because of the complexity of the tax laws and the presence of issues about which reasonable persons can differ, an audit or enforcement activity could result in additional taxes, interest, or penalties. If the IRS were to find that the Corporation has participated in activities in violation of certain regulations or

rulings, the tax-exempt status of the Corporation could be in jeopardy. Although the IRS has not frequently revoked the 501(c)(3) tax-exempt status of nonprofit health care corporations, it could do so in the future. Loss of tax-exempt status by the Corporation potentially could result in loss of tax exemption of the Series 2018B Bonds and of any other tax-exempt debt of the Obligated Group and defaults in covenants regarding the Series 2018B Bonds and other related tax-exempt debt and obligations likely would be triggered. Loss of tax-exempt status also could result in substantial tax liabilities on income of the Corporation. For these reasons, loss of tax-exempt status of the Corporation or any Member could have a material adverse effect on the financial condition and results of operations of the Corporation.

In some cases, the IRS has imposed substantial monetary penalties on tax-exempt corporations in lieu of revoking their tax-exempt status. In those cases, the IRS and exempt corporations entered into settlement agreements requiring the corporation to make substantial payments to the IRS. Given the range of complex transactions entered into by the Corporation and potential exemption risks, the Corporation could be at risk for incurring monetary and other liabilities imposed by the IRS.

Pursuant to the "intermediate sanctions" rules, the IRS may impose penalty excise taxes on certain "excess benefit transactions" involving 501(c)(3) organizations and "disqualified persons" rather than revoking the organization's exempt status. An excess benefit transaction is one in which a disqualified person or entity receives more than fair market value from the exempt organization or pays the exempt organization less than fair market value for property or services, or share the net revenues of the tax-exempt entity. A disqualified person is a person (or an entity) who is in a position to exercise substantial influence over the affairs of the exempt organization during the five years preceding an excess benefit transaction. The statute imposes excise taxes on the disqualified person and any "organization manager' who knowingly participates in an excess benefit transaction. These rules do not penalize the exempt organization itself, so there would be no direct impact on the Corporation, any additional Members of the Obligated Group or the tax status of the Series 2018B Bonds if an excess benefit transaction were subject to IRS enforcement pursuant to the intermediate sanctions rules.

State and Local Tax Exemption. California has not been as active as the IRS in scrutinizing the income tax exemption of health care organizations. In California, it is possible that legislation may be proposed to strengthen the role of the California Franchise Tax Board and the Attorney General in supervising nonprofit health systems. It is likely that the loss by the Corporation or any additional Member of the Obligated Group of federal tax exemption would also trigger a challenge to their state tax-exemption. Depending on the circumstances, such event could be material and adverse.

State, county and local taxing authorities undertake audits and reviews of the operations of tax-exempt health care providers with respect to their real property tax exemptions. In some cases particularly where such authorities are dissatisfied with the amount of services provided to indigents, the real property tax-exempt status of the health care providers has been questioned. The majority of the real property of the Corporation is exempt from real property taxation. Although the real property tax exemption of the Corporation is not, to the knowledge of management, under challenge by such authorities, an investigation or audit could lead to a challenge that could ultimately affect the real property tax exemption of the Corporation.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations. There can be no assurance that future changes in the laws and regulations of state or local governments will not materially adversely affect the financial condition of the Corporation and any additional Members of the Obligated Group by requiring payment of income, local property or other taxes.

Unrelated Business Income. In recent years, the IRS and state, county, and local taxing authorities also have been undertaking audits and reviews of the operations of tax-exempt hospitals with respect to their exempt activities and the generation of unrelated business taxable income ("UBTI"). [The Corporation participates in activities which generate UBTI.][*Note: To be confirmed.*] Management of the Corporation believes it has properly accounted for and reported UBTI; nevertheless, an investigation or audit could lead to a challenge which could result in taxes, interest and penalties with respect to unreported UBTI, and in some cases could affect the tax-exempt status of the Corporation as well as the exclusion from gross income for federal income tax purposes of the interest payable on the Series 2018B Bonds and other tax-exempt debt issued on behalf of the Obligated Group in the future.

The Tax Cuts and Jobs Act changed the rules relating to UBTI in several significant respects. First, tax exempt entities can no longer offset losses from one unrelated trade or business against income from another unrelated trade or business. Due to the recent enactment of the Tax Cuts and Jobs Act, there is uncertainty as to how the IRS will group activities into trades or businesses. For example, it is uncertain if a tax exempt entity invests its endowment in two separate investment funds whether each investment fund will be treated as a separate trade or business which will prevent a tax exempt entity from offsetting the loss from one investment fund against the income from the other investment fund. The Tax Cuts and Jobs Act will also treat as unrelated business taxable income any amount paid or incurred by a tax exempt entity which is not deductible under Section 274 of the Code which relates to any qualified transportation fringe, any parking facility used in connection with qualified parking or any on-premises athletic facility.

Although not technically a change in the rules relating to UBTI, the Tax Cuts and Jobs Act imposes an excise tax at the corporate tax rate in Section 11 of the Code on (i) the amount of annual compensation in excess of $1,000,000 paid (including deferred compensation when it becomes vested, whether or not paid) to any "covered employee" and (ii) any "excess parachute payment" (relating to severance arrangements) paid to any covered employee. Covered employees are the five highest-paid employees for the year as well as former employees who were previously among the five highest paid employees for any year after 2016 and are still being paid any form of post-termination compensation. It is significant to note that the excise tax does not apply to payments made to licensed medical professionals (physicians, nurses and veterinarians), to the extent that compensation payments relate directly to the performance of medical services. The excise tax could apply to the Corporation if it meets the compensation threshold separately on its covered employees. Furthermore, if a covered employee is paid by more than one of the Corporation and any additional Member of the Obligated Group, the excise tax will be computed on the aggregate compensation. Due to the carve out for compensation for medical services, the Corporation and the Obligated Group may find it necessary to keep track of how much of the compensation paid to covered employees relates to medical services.

Maintenance of Tax-Exempt Status of Interest on the Series 2018B Bonds. The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the Series 2018B Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds, limitations on the investment earnings of bond proceeds prior to expenditure, a requirement that certain investment earnings on bond proceeds be paid periodically to the United States Treasury, and a requirement that the City files an information report with the IRS. The Corporation has covenanted in the Loan Agreement that it will comply with such requirements. Future failure by the City, the Corporation or the Members of the Obligated Group to comply with the requirements stated in the Code and related regulations, rulings and policies may result in the treatment of interest on the Series 2018B Bonds as taxable, retroactively to the date of issuance. The City has covenanted in the Bond Indenture that it will not take any action or refrain from taking any action that would cause interest on the Series 2018B Bonds to be included in gross income for federal income tax purposes.

IRS officials have indicated that increased resources will be invested in audits of tax-exempt bonds in the charitable organization sector. In addition, the IRS has sent post-issuance compliance questionnaires to several hundred nonprofit corporations that have borrowed on a tax-exempt basis regarding their post-issuance compliance with various requirements for maintaining the federal tax exemption of interest on their bonds. IRS representatives have indicated that after analyzing responses to the questionnaires, more will be sent to additional nonprofit organizations. In addition to such questionnaires, the IRS has commenced a number of examinations of nonprofit corporation tax-exempt bond issuances with wide-ranging focus similar to the questionnaires described above. One aspect of these examinations may be to determine if certain bond issuances qualify for their tax-exempt status.

Schedule K to IRS Form 990 also requests detailed information related to all outstanding bond issues of nonprofit borrowers, including information regarding operating, management and research contracts as well as private use compliance. It is possible that responses to an IRS examination or questionnaire, or Form 990, will lead to an IRS review and that such review would adversely affect the tax-exempt status or the market value of any bonds issued for the benefit of the nonprofit borrower.

IRS officials have indicated that more resources will be invested in audits of tax-exempt bonds in the charitable organization sector. The Series 2018B Bonds may be, from time to time, subject to audit by the IRS. Bond Counsel will render an opinion with respect to the tax-exempt status of the Series 2018B Bonds, as described under the caption "TAX MATTERS." No ruling with respect to the tax-exempt status of the Series 2018B Bonds has been or will be sought from the IRS, however, and opinions of counsel are not binding on the IRS or the courts and are not guarantees. There can be no assurance that an examination of the Series 2018B Bonds will not adversely affect the market value or marketability of the Series 2018B Bonds.

It is not possible to predict the scope or effect of future legislative or regulatory actions with respect to taxation of nonprofit corporations, since actions and proposals addressing such concerns have been vigorously challenged and contested. There can be, however, no assurance that future changes in the laws and regulations of the federal, state or local governments will not materially and adversely affect the Corporation or a nonprofit Obligated Group Member's operations and revenues by requiring the Corporation or such nonprofit Obligated Group Member to pay income or real estate taxes.

Proposed Legislation Regarding Limitations or Elimination of Tax-Exempt Status of Interest on the Series 2018B Bonds. Pending or future legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the Series 2018B Bonds to be subject, directly or indirectly, to federal income taxation or to State or local income taxation, or may otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and pending or future proposals may also affect the economic value of the federal or state tax exemption or the market value of the Series 2018B Bonds.

Prospective purchasers of the Series 2018B Bonds should consult their own tax advisors on the foregoing matters as they consider an investment in the Series 2018B Bonds.

Limitations on Contractual and Other Arrangements Imposed by the Internal Revenue Code. As a tax-exempt organization, the Corporation is limited with respect to its use of practice income guarantees, reduced rent on medical office space, low interest loans, joint venture programs and other means of recruiting and retaining physicians. Uncertainty in this area has been reduced somewhat by the issuance by the IRS of guidelines on permissible physician recruitment practices. The IRS scrutinizes a broad variety of contractual relationships commonly entered into by hospitals and has issued a detailed audit guide suggesting that field agents scrutinize numerous activities of hospitals in an effort to determine whether any action should be taken with respect to limitations on or revocation of their tax-exempt status or assessment

of additional tax. Any suspension, limitation, or revocation of one the Corporation's or any additional Member of the Obligated Group's tax-exempt status or assessment of significant tax liability would have a materially adverse effect on the Corporation or the Obligated Group and might lead to loss of tax exemption of interest on the Series 2018B Bonds.

Other Risk Factors

Earthquakes. Many hospitals in California are in close proximity to active earthquake faults. A significant earthquake in California could destroy or disable the Hospital or hospital facilities of any future Member of the Obligated Group. The Corporation [does/does not] currently carry earthquake insurance coverage.

The California Hospital Seismic Safety Act (the "Seismic Safety Act") requires each acute care hospital facility in California either to comply with new hospital seismic safety standards on or before a deadline specified by California or to cease acute care operations in noncompliant facilities. Under the Seismic Safety Act, the final date by which all hospitals that have not been granted an extension must comply with such seismic safety standards is January 1, 2020. Hospital facilities that have not received a certificate of occupancy for a facility that is compliant with seismic safety standards by this deadline will be required to cease operations. The Corporation [plans to comply / is currently in compliance] with the Seismic Safety Act.

[Add flood risk if applicable]

Investments. The Corporation has significant holdings in a broad range of investments. Market fluctuations may affect the value of those investments and those fluctuations may be material. For a discussion of the Corporation's investments, see APPENDIX A — "CERTAIN INFORMATION CONCERNING OROVILLE HOSPITAL — FINANCIAL INFORMATION" and APPENDIX B — "CONSOLIDATED FINANCIAL STATEMENTS OF OROVILLE HOSPITAL AND SUBSIDIARIES — Notes to Consolidated Financial Statements — Note 5. Investments" hereto.

Bond Ratings. There is no assurance that the ratings assigned to the Series 2018B Bonds will not be lowered or withdrawn at any time, which could adversely affect the market value or marketability of the Series 2018B Bonds. See "RATINGS" below.

Secondary Market. There can be no assurance that there will be a secondary market for the purchase or sale of the Series 2018B Bonds. From time to time there may be no market for the Series 2018B Bonds depending upon prevailing market conditions, the financial condition or market position of any firms who may make the secondary market, and the financial condition and results of operations of the Members of the Obligated Group.

[placeholder to discuss covenants]

Other Future Risks. In the future, the following factors, among others, may adversely affect the operations of health care providers or the market value of the Series 2018B Bonds to an extent that cannot be determined at this time.

(a) Adoption of legislation that would establish a national or statewide single-payor health program or that would establish national, statewide or otherwise regulated rates applicable to hospitals and other health care providers.

(b) Reduced demand for the services of hospitals that might result from decreases in

population or loss of market share to competitors.

(c) Bankruptcy or business failures of an indemnity/commercial insurer, managed care plan or other payor could have a material adverse impact on contracted hospitals and other health care providers in the form of payment shortfalls or delay, and/or continuing obligations to care for managed care patients without receiving payment.

(d) Efforts by insurers and governmental agencies to limit the cost of hospital services, to reduce the number of beds and to reduce the utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety and outpatient care, or comparable regulations or attempts by third-party payors to control or restrict the operations of certain health care facilities.

(e) New clinical techniques and technology, as well as new pharmaceutical and genetic developments and products, may alter the course of medical diagnosis and treatment in ways that are currently unanticipated, and that may dramatically change medical and hospital care. These could result in higher health care costs, reductions in patient populations, lower utilization of hospital service and/or new sources of competition for hospitals.

(f) Cost and availability of any insurance, such as professional liability, fire, automobile and general comprehensive liability coverages, which health care facilities of a similar size and type generally carry.

(g) The occurrence of a disaster, a pandemic or an epidemic that could damage hospital facilities, interrupt utility service to the facilities, result in an abnormally high demand for health care services or otherwise impair a hospital's operations and the generation of revenues from the facilities.

(h) Limitations on the availability of, and increased compensation necessary to secure and retain, nursing, technical and other professional personnel.

MATERIAL LITIGATION

The Corporation

[There is no controversy or litigation of any nature now pending against the Corporation or, to the knowledge of its officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2018B Bonds, or in any way contesting or affecting the validity of the Series 2018B Bonds, any proceedings of the Corporation taken concerning the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Series 2018B Bonds.][Corporation to confirm]

[As with most health care providers, the Corporation is subject to certain legal actions that, in whole or in part, are not or may not be covered by insurance because of the type of action or amount or types of damages requested (e.g., punitive damages), because of a reservation of rights by an insurance carrier, or because the action has not proceeded to a state that permits full evaluation. There are certain legal actions currently pending against the Corporation known to management of the Corporation and for which insurance coverage is uncertain for the above reasons. Management of the Corporation does not anticipate that any such suits will ultimately result in punitive damage awards or judgments in excess of applicable insurance limits, or if such awards or judgments were to be entered, that they would have a material adverse impact on the financial condition of the Corporation.][*Note: Sample language; Inclusion TBD.*]

[Other than described above,] there is no litigation of any nature now pending against the Corporation or, to the knowledge of its officers, threatened, which, if successful, would materially adversely affect the operations or financial condition of the Corporation.

The City

[To the knowledge of the City, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending against the City seeking to restrain or enjoin the sale or issuance of the Series 2018B Bonds, or in any way contesting or affecting any proceedings of the City taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Series 2018B Bonds, the validity or enforceability of the documents executed by the City in connection with the Series 2018B Bonds, the completeness or accuracy of this Official Statement or the existence or powers of the City relating to the sale of the Series 2018B Bonds.][*Note: City to confirm.*]

TAX MATTERS

[TO BE UPDATED BY QUINT & THIMMIG]

Federal tax law contains a number of requirements and restrictions which apply to the Series 2018B Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City and the Corporation have covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2018B Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2018B Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2018B Bonds.

Subject to the City's and the Corporation's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Bond Counsel, interest on the Series 2018B Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the Series 2018B Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the City and the Corporation with respect to certain material facts within the City's and the Corporation's knowledge and will rely on an opinion of the Nixon Peabody LLP, counsel to the Corporation, that the Corporation is a 501(c)(3) organization and certain other matters. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax exempt interest, including interest on the Series 2018B Bonds.

Ownership of the Series 2018B Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Series 2018B Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Series 2018B Bonds is the price at which a substantial amount of such maturity of the Series 2018B Bonds is first sold to the public. The Issue Price of a maturity of the Series 2018B Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page of this Official Statement.

If the Issue Price of a maturity of the Series 2018B Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Series 2018B Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the City and the Corporation comply with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the State and local tax consequences of original issue discount on such OID Bonds.

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

If a Bond is purchased at any time for a price that is less than the Series 2018B Bond's stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount reduced by payments of interest included in the computation of original issue discount and previously paid (the "Revised Issue Price"), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price even if the purchase price exceeds par. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2018B Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Series 2018B Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax

exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Series 2018B Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Series 2018B Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Series 2018B Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Series 2018B Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2018B Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Series 2018B Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Series 2018B Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Series 2018B Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Series 2018B Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the Series 2018B Bonds is exempt from California personal income taxes.

Ownership of the Series 2018B Bonds may result in other State and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Series 2018B Bonds. Prospective purchasers of the Series 2018B Bonds should consult their tax advisors regarding the applicability of any such State and local taxes.

Bond Counsel expects to deliver an opinion at the time of delivery of the Series 2018B Bonds in substantially the form set forth in APPENDIX E — PROPOSED FORM OF OPINION OF BOND COUNSEL.

LEGALITY

The validity of the Series 2018B Bonds and certain other legal matters are subject to the approving opinion of Quint & Thimmig, LLP, Bond Counsel. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain other matters will be passed upon for the City by its counsel, [_____], for the Corporation by its counsel, Nixon Peabody LLP and for the Underwriter by its counsel, Norton Rose Fulbright LLP. This Official Statement has been prepared on

behalf of the Corporation by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel to the Corporation. Disclosure Counsel and Underwriter's undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

UNDERWRITING

The Series 2018B Bonds are being purchased by Morgan Stanley & Co. LLC (the "Underwriter"). The Underwriter has agreed to purchase the Series 2018B Bonds at a purchase price of [$_____ (which represents the $_____ par amount of the Series 2018B Bonds, [plus/less] an original issue [premium/discount] of $_____, less the Underwriter's discount of $_____)]. The Series 2018B Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2018B Bonds, if any are purchased, and contains the agreements of the Corporation to indemnify the Underwriter and the City against certain liabilities to the extent permitted by law. The Series 2018B Bond Purchase Agreement also provides that the fees of counsel for the Underwriter will be paid by the Corporation. The initial public offering prices set forth in the inside cover page of this Official Statement may be changed without notice from time to time by the Underwriter.

Morgan Stanley & Co. LLC, as an Underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its underwriting efforts with respect to the Bonds.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and certain of its affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the City and the Corporation, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City and the Corporation.

INDEPENDENT AUDITORS

The audited consolidated financial statements of the Corporation and subsidiaries, as of November 30, 2017 and 2016, included in this Official Statement, have been audited by Armanino LLP, independent auditors, as stated in their report included in APPENDIX B.

FEASIBILITY CONSULTANT

Wipfli has served as feasibility consultant to the Corporation in connection with the financing described in this Official Statement. Wipfli has not audited, authenticated, or otherwise verified the information set forth in this Official Statement, or any other related information available to the Corporation, with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by Wipfli respecting the accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

FINANCIAL ADVISORS

Ravi Chitkara and Wulff, Hansen & Co. (each a "Financial Advisor" and, together, the "Financial Advisors") have served as financial advisors to the Corporation in connection with the financing described in this Official Statement. Neither of the Financial Advisors have audited, authenticated, or otherwise verified the information set forth in this Official Statement, or any other related information available to the Corporation, with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by either Financial Advisor respecting the accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

RATINGS

The Series 2018B Bonds have been rated "[ ]" by S&P Global Ratings, a business of Standard & Poor's Financial Services LLC ("S&P") and "[ ]" by Fitch Ratings, Inc. ("Fitch"). No application was made to any other rating agency for the purpose of obtaining additional ratings on the Series 2018B Bonds. The ratings reflect S&P's and Fitch's current assessment of the creditworthiness of the Corporation. Any explanation of the significance of such rating may only be obtained from S&P and Fitch. There is no assurance that the ratings mentioned above will remain in effect for any given period of time or that they might not be lowered or withdrawn entirely by S&P or Fitch, if, in its judgment, circumstances so warrant. The Underwriter has undertaken no responsibility either to bring to the attention of the Holders of the Series 2018B Bonds any proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of any rating might have an adverse effect on the market price or marketability of the Series 2018B Bonds.

MISCELLANEOUS

The foregoing and subsequent summaries or descriptions of provisions of the Series 2018B Bonds, the Bond Indenture, the Loan Agreement, the Continuing Disclosure Agreement, the Master Indenture, the Supplemental Master Indenture, Obligation No. 1, the [Deed of Trust] and all references to other materials not purporting to be quoted in full are brief outlines of certain provisions thereof. Such summaries or descriptions do not purport to be complete and reference is made to said documents and other materials for full and complete statements of their provisions. The appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity and at the expense of the Person requesting the same, of the Bond Indenture, the Loan Agreement, the Continuing Disclosure Agreement, the Master Indenture, the Supplemental Master Indenture, Obligation No. 1, and the [Deed of Trust] may be obtained during the offering period upon request to the Underwriter and thereafter may be examined or obtained at the Corporate Trust Office of the Bond Trustee.

The City furnished only the information contained under the captions "THE CITY" and "MATERIAL LITIGATION — The City" and, except for such information, makes no representation as to the adequacy, completeness or accuracy of this Official Statement or the information contained herein.

The use and distribution of this Official Statement have been approved by the City. This Official Statement and its use and distribution have been duly approved by the Corporation. This Official Statement is not to be construed as a contract or agreement between the City or the Corporation and the purchasers or registered owners of any of the Series 2018B Bonds.

CITY OF OROVILLE

By: [Name]
Title: [Finance Director]

APPROVED:

OROVILLE HOSPITAL, on behalf of itself and as Obligated Group Representative

By: [Name]
Title: [Chief Executive Officer]

APPENDIX A

CERTAIN INFORMATION CONCERNING OROVILLE HOSPITAL

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INTRODUCTION

Overview

Oroville Hospital (the "Corporation") is a nonprofit public benefit corporation incorporated under the laws of the State of California that was organized as and has been determined by the Internal Revenue Service to be a charitable organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). As such it is exempt from federal and State of California income tax. The Corporation currently owns and operates the Oroville Hospital (the "Hospital"), which is a general acute-care, 133-bed licensed facility located in Oroville, California. The Hospital is the only hospital in Oroville and provides clinical and laboratory services to the residents of Oroville as well as the neighboring communities of Butte, Yuba, Colusa, Nevada and Plumas Counties. In recent years, the Corporation has experienced significant increase in patient demand, resulting in the proposed expansion of the Hospital to a 211-bed licensed facility (as further described in "FACILITIES AND THE PROJECT — The Project"), a substantial portion of which will be financed by proceeds of the Series 2018B Bonds.

History

In 1962, 12 community physicians opened Medical Center Hospital (now the Hospital) which consisted of 51 acute beds. With continuous expansion over the decades, including the building of a 4,000 square-foot pathological and clinical laboratory in 1979, the Hospital became a 153-bed facility in 1988. At the turn of the century, various facilities of the Hospital were renovated and the Corporation added a new radiology department and outpatient facilities, and acquired an Outpatient Imaging Center to provide services such as Oncology and Women's Imaging.

Since 2010, the Hospital has continued to expand medical services offered to the community with an emphasis on state-of-the-art technology. The Hospital is the only facility in the northern region of California (from north of Sacramento to the California-Oregon border) with the da Vinci Si robotic surgery system. Cancer services were also expanded to include a new Radiation Oncology Clinic offering image-guided radiotherapy. A 68,000 square-foot Medical Complex was added offering a multispecialty practice, outpatient rehabilitation, aesthetic medicine, urgent care clinic, pharmacy and administrative offices. In-house radiologists joined the hospital and an Interventional Radiology Lab was completed which provides guided imaging for invasive surgical procedures and cardiac catheterization.

In recent years, the Corporation reduced overall service costs by 30 percent in an effort to make health care accessible and more affordable for everyone in the community. The Corporation also became 100 per cent owners of a 126-bed skilled nursing facility, Oroville Hospital Post Acute Center. In addition, a mobile MRI unit was added, giving the Hospital the ability to render imaging services throughout the northern region of the state of California.

Mission

The Corporation is dedicated to always providing the finest personalized health care to Oroville and the surrounding foothill and valley communities by offering a medical home with a wide range of integrated services, from prevention through treatment to wellness.

Awards and Recognition

The Hospital has received numerous national and regional awards, accreditations and distinctions, some of which are listed below:

- U.S. News & World Report – Of the 420 hospitals in California, U.S. News & World Report ranked the Corporation #28 in 2017-2018 and #34 in 2018-2019. This achievement places the Corporation among the ranks of highly respected medical institutions such as UCSF Medical Center, UCLA Medical Center, Stanford Health Care and Loma Linda University Medical Center. In 2018, the Corporation was also recognized as high-performing in four different specialties: gastroenterology and GI surgery, geriatrics, nephrology, pulmonology; and one condition: heart failure. Recognitions for 2019 include being listed as high-performing in four different specialties: diabetes and endocrinology, geriatrics, gastroenterology and gastrointestinal surgery, pulmonology; and two conditions: chronic obstructive pulmonary disease (COPD) and heart failure.

- Healthgrades – The Corporation has been recognized by Healthgrades as one of America's 100 Best for Critical Care six years in a row (2014-2019), America's 100 Best for General Surgery in 2018, and America's 100 Best for Gastrointestinal Care for two years in a row (2014-2015). It also received the Patient Safety Excellence Award six years in a row (2013-2018), the Gastrointestinal Care Excellence Award five years in a row (2014-2018), the Critical Care Excellence Award six years in a row (2014-2019), the General Surgery Excellence Award in 2018, the Pulmonary Care Excellence Award four years in a row (2012-2015), the Stroke Care Excellence Award two years in a row (2014-2015), and the Women's Health Excellence Award in 2015. The Corporation ranked among the **top 5 per cent** in the nation in the following categories: General Surgery (2018), Patient Safety (2016-2018), Overall Pulmonary Services (2012-2015), Critical Care (2014-2017). Overall GI Services (2014-2015), and Women's Health (2015). The Corporation was ranked the **top 10 per cent** in the nation in the following categories: Treatment of Stroke (2014-2015), Patient Safety (2013-2018), Critical Care (2014-2019), and Overall GI Services (2014-2018). The Corporation also received five-star rankings in the following categories: Treatment of Heart Failure (2012-2019), Hip Fracture Treatment (2011-2019), Prostate Removal Surgery (2018-2019), Treatment of Stroke (2012-2016), Treatment of Chronic Obstructive Pulmonary Disease (2012-2015), Treatment of Pneumonia (2005-2016), Esophageal/Stomach Surgeries (2015), Colorectal Surgeries (2016), Treatment of GI Bleed (2013-2018), Gallbladder Removal Surgery (2018-2019), Treatment of Sepsis (2012-2019), Treatment of Pulmonary Embolism (2014-2015), Treatment of Respiratory Failure (2014-2015), and Treatment of Chronic Obstructive Pulmonary Disease (2019).

- American College of Radiology – The Corporation's Valley Women's Imaging clinic is accredited by the American College of Radiology for mammography and stereotactic breast biopsy. These accreditations represent the highest image quality and patient safety standards for these procedures. Additionally, as a participant of the Mammography Quality Standards Act, the Hospital [or is this Valley Women's Imaging clinic?] undergoes an annual inspection to assure that patients receive the most up-to-date standard of care.

- American Stroke Association/American Heart Association – For the past 4 years, the Corporaiton has been recognized by the American Stroke Association/American Heart Association as a Get with the Guidelines Stroke Gold Plus Quality Achievement Award winner and a Target: Stroke Honor Roll Recipient. The award recognizes the Corporation's continued commitment and success at providing quick and appropriate treatment to stroke patients.

CORPORATE STRUCTURE

The Corporation and the Obligated Group

The Corporation is the sole Member of the Obligated Group, and, therefore, is the only entity obligated to make payments with respect to Obligation No. 1 that secures the Series 2018B Bonds.

Affiliates

OroHealth Corporation. OroHealth Corporation ("OroHealth") is a tax-exempt organization under Section 501(c)(3) of the Code and a California nonprofit corporation, and is the Corporation's sole corporate member. OroHealth provides managements services for the Corporation, employs the senior management of the Corporation, pays their salaries and benefits and has those expenses reimbursed by the Corporation. OroHealth has a for-profit subsidiary, OroLake Corporation.

1000 Executive Parkway, LLC d.b.a. Oroville Hospital Post Acute Center. Oroville Hospital Post Acute Center ("OHPAC) is a for-profit limited liability company which owns a 126-bed skilled nursing facility. The Corporation has a 100% interest in OHPAC and uses the skilled nursing facility as a local resource for discharging patients requiring skilled nursing resources.

OHPAC Partners, LLC. OHPAC Partners, LLC ("OHPAC Partners") is a for-profit limited liability company formed to own, lease, sell, maintain, finance and develop real estate commercial buildings located in Oroville, California, and conduct related medical office activities. The Corporation has a 51.28% ownership of OHPAC Partners. [does OHPAC own anything?]

Oroville Medical Partners, LLC. Oroville Medical Partners, LLC ("OMP") is a for-profit limited liability company formed to own, lease, sell, maintain, manage, finance and develop real estate commercial buildings in Oroville, California, and to conduct related medical office activities. The Corporation has 51% ownership of OMP. [does OMP own anything?]

Oroville Solar Partners, LLC. Oroville Solar Partners, LLC ("OSP") is a for-profit limited liability company organized for the purpose of engaging in the acquisition, construction, lease, ownership and sale, and the operation, management, maintenance and financing of the electric generating solar system [of the Hospital][confirm]. The Corporation has 50% ownership of OSP.

Under generally accepted accounting principles in the United States, the financial results of the Corporation are combined with OHPAC, OHPAC Partners, OMP and OSP in the audited consolidated financial statements included as Appendix B to this Official Statement. OHPAC, OHPAC Partners, OMP and OSP are collectively referred to herein as the "Subsidiaries."

Related Party Transactions

The Corporation conducts transactions with related parties as part of the operations of the Hospital.

[Oroville Sports Club, LLC is a for-profit limited liability company that includes as its members Orohealth and Mr. Wentz, the Corporation's Chief Executive Officer. Oroville Sports Club, LLC receives membership and rental payments from the Corporation for the use of a sports facility by Corporation employees. This arrangement has been in effect since 1998. In Fiscal Year 2017 payments from the Corporation to Oroville Sports Club, LLC amounted to $310,953.

[Oroville Medical Complex, LLC is a for-profit limited liability that has as its members Orohealth and a group of individual investors. Oroville Medical Complex, LLC provides office space to physicians on the medical staff of the Corporation and to the Corporation. In Fiscal Year 2017 payments from the Corporation to Oroville Medical Complex, LLC amounted to $1,829,358.

[Comp-OH, LLC is a for-profit limited liability company that provides certain patient billing services for the Corporation. The Corporation has a 49% share in Comp-OH, LLC.]

See Note 14 of APPENDIX B – OROVILLE HOSPITAL AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS.

Organizational Chart

[PLACEHOLDER FOR ORGANIZATION CHART]

GOVERNANCE

The Corporation is governed by a nine member board of trustees (the "Board") appointed by the trustees of the Corporation's sole corporate member OroHealth. Each trustee serves for a 3-year term without compensation. The Board controls and manages the Corporation and appoints the Corporation's officers.

Present members of the Board, including their occupation, are as follows. Each of these individuals is also a member of the Board of Trustees of OroHealth.

Name	Occupation
Matthew J. Bazzani, M.D., Chair	Physician, Obstetrics/Gynecology
Theoplis C. Dennis, Vice Chair	Retired, District Manager,California Water District
Roy C. Shannon, M.D., Secretary	Physician, Hospitalist
Sultan M. Chopan, M.D.	Physician, Family Medicine
Edward R. Gilbert	General Manager, Feather Falls Casino
James H. Moll	Vice President, Investments Stifel Nicolaus
William N. Morris	Retired, Plant Manager, Koppers Industries
Margaret F. Mallette, Immediate Past Chair	Retired, Registered Nurse (Ex-Officio)
Robert J. Wentz, President and CEO	Oroville Hospital (Ex-Officio)

(1) *The Immediate Past Chair serves on the Board as an ex-officio voting member with a term that expires upon the election of a new Chair to succeed the serving Chair.*

(2) *The President and Chief Executive Officer of the Corporation serves on the Board as an ex-officio voting member with a term that does not expire.*

The officers of the Corporation's Board include a Chair, Vice Chair and Secretary. The Board has appointed a President and Chief Executive Officer who serves as the Corporation's administrator.

EXECUTIVE MANAGEMENT

Day-to-day management of the Corporation has been delegated to an administrative staff. The President and Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Chief Nursing Officer are employees of OroHealth. Through a management services arrangement the Corporation reimburses OroHealth for the cost of these individuals and cost of other administrative personnel who serve the Corporation but are employed by OroHealth. See "AFFILIATES" herein.

Information about the senior administrative staff follows:

Robert J. Wentz, President/Chief Executive Officer, Age 62. Robert J. Wentz has served as the Corporation's President and Chief Executive Officer since 1988 and has more than 30 years of hospital leadership experience. Robert J. Wentz led the Corporation in becoming the first hospital to self-implement the VA's Electronic Health Record program, and the first to certify the software, WorldVistA EHR 2.0. He

is the founder of Tenzing, a VistA consulting group. For the past 20 years he has owned and operated the Oroville Sports Club. Robert J. Wentz's professional affiliations include California Hospital Association Board Member, Board Member, Chair, and past President of California Healthcare Insurance Company, American Compensation Association, National Society of Performance and Instruction, California Hospital Personnel Management Association, and American Management Association. Previously, Robert J. Wentz served as Assistant Administrator-Human Resources in Chico Community Hospital, Chico, and then Assistant Administrator-Human Resources for the Corporation.

Scott A. Chapple, Vice President/Chief Operating Officer; Age 56. Scott Chapple has served as the Corporation's Vice President Human Resources and Chief Operating Officer since 2003. His past experience includes various positions such as Human Resource Analyst, Director of Human Resources, Special Projects Manager, Vice President Human Resources and Assistant Administrator from 1984-1996. Prior to joining the Corporation, he worked as the Vice President Human Resources, Vice President Support Services and Administrator/Vice President at Kalispell Regional Medical Center located in Kalispell, Montana. Scott Chapple's professional affiliations include being a Member of the American College of Healthcare Executives, Director BETA council (BETA Healthcare Group), past Council Member of ALPHA Fund, past Board Member at St. Matthew's School and a past Member of the Hospital United Way Planning Committee and United Way Allocations Committee.

Ashok Khanchandani, Vice President/Chief Financial Officer; Age 66. Ashok Khanchandani has served as the Corporation's Vice President/Chief Financial Officer since 2003. His past experience includes various positions such as Chief Financial Officer at College Hospital in Cerritos and Costa Mesa, California from 1976-1996. After that he served as the Chief Financial Officer for the Natividad Medical Center in Salinas, California. Ashok Khanchandani's professional affiliations include being an Advanced Member of the Healthcare Financial Management Association.

Carol Speer-Smith RN, BSN, Vice President/Chief Nursing Officer; Age 63. Carol Speer-Smith RN, BSN has served as the Corporation's Vice President/Chief Nursing Officer since 1990. Carol has past bedside nursing experience in Critical Care and Emergency Nursing. Her career journey at the Corporation has moved through many nursing departments including Medical Surgical, Intensive Care, and the Emergency Room. Her roles have included Staff Nurse, Charge Nurse, House Supervisor, Nurse Manager and her current role as CNO. Carol is a member of the Association of California Nurse Leaders, and is past President of the Far Northern Chapter.

CONFLICTS OF INTEREST

From time to time, the Corporation may conduct business transactions with organizations or corporations with which one or more trustees or senior administrative staff may be affiliated. The Corporation has a policy on conflicts of interest and self-dealing that requires a disclosure by all trustees and officers of the Corporation of actual and potential conflicts of interest. The interested person will not be permitted to vote on any issue, motion or resolution that directly or indirectly inures to his or her benefit financially or with respect to which he or she shall have any other conflict of interest. However, the interested person may participate in a discussion of such an issue, motion or resolution if he or she first disclosure the nature of his or her own interest.

[list conflicts of interest]

STRATEGIC INITIATIVES

[*Potential Ideas: Intermediate Care Facility, Imaging Service Area Expansion (Mobile MRI), Dental, Lab Service Area Expansion, ACO]*

FACILITIES AND THE PROJECT

The Hospital is a 133-bed acute care facility that specializes in a broad range of inpatient and outpatient services, including multiple physician practices. It is the only hospital in Oroville and the primary hospital serving seven zip codes in Butte County, California. The Hospital provides clinical and laboratory services to the residents of Oroville as well as the neighboring communities of Butte, Yuba, Colusa, Nevada and Plumas Counties. It is located on an approximately 14-acre campus in Oroville, California, all of which is zoned residential-professional.

The Corporation uses the OHPAC 126-bed skilled nursing facility, which is adjacent to the Hospital campus, as a local resource for discharging patients requiring skilled nursing resources

[placeholder paragraph to describe real estate subject to the Deed of Trust securing the Series 2018B Bonds and other facilities of the Corporation]

Hospital Bed Complement

The Corporation has a licensed bed capacity of 133 beds as shown below:

TABLE 1
Licensed Beds and Beds in Service

License Category	Licensed Beds As of November 30, 2017	Beds in Service As of November 30, 2017
General Acute Care	113	113
Intensive Care	10	10
Perinatal	10	10
Total	133	133

The Project will expand the existing 133-bed acute care facility to a total of 211 beds.

The Project

The Project involves the development of a new five-story tower addition located at the main campus (2767 Olive Highway, Oroville, CA) adjacent to the existing hospital. The tower will connect to the current Hospital on the south east side via a pedestrian walkway on the first and second floors.

The following map shows the site of the Project:

[Insert site map of Project]

The Project will include construction of a new 158,596 square foot general acute care hospital tower (the "New Tower"), demolition of existing medical office building totaling approximately 12,430 square feet, relocation of existing Liquid Oxygen facilities on the western edge of the site, demolition and relocation of existing utilities serving the existing hospital, and demolition, replacement and reconfiguration of parking and site improvements. The New Tower is expected to open in 2021. The total cost of the Project is expected to be $[__] million. The existing Hospital will continue to operate throughout the Project construction of the New Tower. During this time, the existing Hospital will undergo renovations including new flooring, paint, cove base, ceiling tiles, furniture and lighting. In addition, to prepare for the New Tower, the Hospital's pharmacy and dietary departments will be expanded to comply with regulations the

larger facility. Once the New Tower is complete, the surgical department and operating room will expand into the area formerly occupied by the Intensive Care Unit.

Construction

The New Tower will be a five-story, structural steel and concrete building with a slab on grade first floor and spread footing foundation system. Lateral force resisting system will consist of eccentric braced frames with tie-down anchors to resist uplift forces. The mechanical systems for the New Tower are all designed as standalone systems, independent from the existing Hospital's systems. The New Tower will utilize boilers for domestic and heating hot water, chillers for chilled water; and multiple roof top exhaust fans and air handling units. The electrical system for the New Tower is designed as a standalone system, independent of the existing Hospital's electrical system. The primary source utility service will be 12KV power stepped down to 480/277V via a pad mounted transformer, which will serve the main switchboard to the New Tower. If normal power is disrupted to the New Tower, an on-site generator and fuel storage will provide back up to support a three branch Essential Electrical System. The New Tower will be protected by a full fire sprinkler system in compliance with National Fire Protection Association (NFPA) 13 and CBC and CFC requirements. Dedicated site fire water source will supply for building distribution through a dedicated pump assembly and associated appetences.

Services in the New Tower

Services that will be provided in the New Tower will include the following:

- Medical/Surgical Units (2 Floors) – Each floor will have 35 private patient rooms, including two Airborne Infection Isolation Rooms with shared anteroom, to ensure patients have the ability to recuperate and heal quickly.

- Intensive Care Unit – 24-bed Intensive Care Unit (ICU); including two Airborne Infection Isolation Rooms with shared anteroom.

- Labor and Delivery Center – There will be nine private, spacious rooms which serve as Labor/Delivery/Recovery/Postpartum (LDRP) rooms. This floor will also include five post-partum beds bringing the total to 14 rooms, and a rooftop garden that new parents can visit. Any NICU babies will be stabilized and transported to a higher level of care (i.e. UC Davis, Dignity Health or Sutter Health in Sacramento). A Cesarean Operating Room is provided in the existing Hospital Surgery Department on Level 2. The Labor and Delivery Center is located on the same floor level as the existing Hospital Surgery Department.

- Ambulatory Care Service – Eight outpatient procedure rooms with preoperative and recovery space, including two Airborne Infection Isolation Rooms with shared anteroom. Typical procedures performed in the procedure rooms will include Endoscopy, Colonoscopy, Bronchoscopy, Sclerosing Varices, EBUS, ERCP, YAG and Argon Laser procedures. Pill Cam placement, motility studies, PICC lines, bubble studies, TEE, cardioversion and pain management injections. [what do the acronyms mean?]

- Support Services – Patient Access/registration, public lobby, conference rooms, Central Sterile Supply, storage and new utility yard.

Expected Construction Schedule

[Describe construction schedule; sample language below]

Mass excavation and site utilities are scheduled to begin in toward the end of January 2019 and are expected to be complete by the end of March 2019. Foundations and structure will immediately follow the completion of such site preparation. The building is anticipated to be complete by the first quarter of 2021. Owner equipment, systems testing and occupancy inspections will begin at this time and will take approximately three months to complete. Substantial completion of the Project is projected to occur approximately 28 months after the start of construction in January 2019. If construction proceeds as anticipated, the Hospital would begin operations by during the second quarter of 2021.

Required Approvals and Permits

[Include table or list of approvals and permits, and their respective status]

Cost Summary of Project

The following table is a summary of certain anticipated costs of the Project. For a discussion of certain factors which could cause the actual costs to materially differ from the following estimates, see [x-ref to forepart]

TABLE 2
Summary of Anticipated Costs of Project

Land	
Land improvements[(1)]	
Building construction[(1)]	
Architect and related fees	
Furnishings and equipment	
Other fees	
Contingency reserve[(2)]	
Total	

The Architect

[Description of architect; include a sample of representative projects]

The Contractor and Construction Contract

[Description of contractor and construction contract; see sample language]

[The Corporation is in the process of finalizing the Construction Contract with the Contractor for the Project. This proposed Construction Contract features the basis for payment as the Cost of the Work Plus a Fee with a Negotiated Guaranteed Maximum Price (GMP). The Construction Contract is a standard AIA document A121™CMc and AGC Document 565, copyright 1991 and 2003, which includes the 1997 Edition of AIA document A201-General Conditions of the Contract for Construction. The Hospital and Contractor have incorporated the Project design documents and other additions and/or deletions into the AIA document. The total Guaranteed Maximum Price is $[__], which includes the Contractor's fee fixed at a price of $[__]. The GMP may be adjusted for changes in the scope of the Project and is subject to a number of exclusions, including exclusions for the costs of weather delay in excess of normal documented [__] weather delays. However, the Contractor's fee cannot be reduced. All Risk, Builder's Risk Insurance will be provided by the Contractor in the amount of the GMP with a $[__] deductible paid for by the

Corporation. The Contractor will provide a Payment and Performance Bond in the amount of the GMP. Liquidated damages are specified at $1,500 per day for the first 30 days and $3,000 per day after 30 days of the specified twenty-four month substantial complete date requirement (substantial completion is expected to occur [__]). The Contractor's obligations to pay liquidated damages will not be guaranteed by a Payment and Performance Bond. Dispute resolution requires the architect to first attempt resolution, and then claims go to mediation. Any claims not resolved by mediation shall be decided by arbitration, unless the parties mutually agree otherwise.

Since daily interest on the Series 2018B Bonds equals approximately $[__], the amount of liquidated damages will be in an amount less than the amount of daily interest on the Series 2018B Bonds. However, if completion of the Project is delayed so that liquidated damages are required to be paid by the Contractor, the existing Hospital would still be generating revenues as a general acute care hospital, which revenues would be available to pay debt service on the Series 2018B Bonds during this period of delay.]

TABLE 3
Components of the GMP Contract

	Amount
General Requirements	
Permits, Bonds, Insurance	
Sitework/Excavation	
Structure	
Enclosure	
Finishes	
Mechanical/Electrical/Plumbing	
Construction Contingency	
Subtotal	
Fee	
TOTAL	

Corporation Oversight During the Construction Period

[see sample language below]

[The Hospital will have an owners' representative present and available for oversight of the Project during the construction phase. The Director of Support Services at the Hospital (the "Director of Support Services") will fulfill this role. The current job duties of the Director of Support Services include management and oversight of plant operations, clinical engineering, environmental services and food services. These administrative duties will remain under the Director's oversight during the construction phase. The Consultant anticipates an average of 20 hours a week will be required to adequately supervise the progress of construction of the Project. The Director of Support Services has over 16 years experience in ground up commercial construction management experience. He has served in various project management roles for government, private, and public works projects managing projects with budgets ranging from $100,000 to $18 million. He is experienced in managing all construction activities to ensure projects are completed in accordance with design, budget and schedule. His experience includes: (1) acting as Assistant Superintendent for a $16 million project located in Westwood, California for The Italian Consulate; (2) acting as a Senior Superintendent for a $10 million project located in North Hollywood, California for NRG Recording Studios; and (3) acting as an Assistant Superintendent for an $18 million project located in Cathedral City, California for the Cathedral City Civic Center.]

Funding the Project

In June 2018, the City of Oroville issued its Hospital Revenue Bonds, Series 2018 (the "Series 2018A Bonds") for the benefit of the Corporation. A portion of the proceeds of the Series 2018A Bonds in the amount of $9.8 million was used to fund certain capital improvements related to the Project. [Describe what components] The remaining Project costs are expected to be paid with the proceeds of the Series 2018B Bonds. [Describe any other funding sources]

Seismic Compliance

OSHPD oversees seismic upgrades to California hospital buildings pursuant to SB 1953 and subsequent legislation. SB 499 and SB 90 extended the deadline for completion of certain structural and non-structural seismic upgrades to facilities that provide acute care services from January 1, 2013 to January 1, 2020. Necessary permits to conduct structural seismic upgrades or remove acute care services must be granted by OSHPD no later than July 1, 2018. SB 1953 and subsequent legislation and regulations establish further structural and non-structural seismic standards for facilities that provide acute care services, including those facilities that meet the January 1, 2020 requirements, which standards must be met by January 1, 2030.

Seismic Compliance for the Project

The New Tower will comply with the State's most rigorous seismic safety regulations for 2030.

Seismic Compliance for the Existing Hospital

[description of seismic compliance of existing Hospital; sample language below for level of detail]

[There are [__] buildings currently in service on the Hospital campus, [__] of which are used for acute care services. The [__] building has a Structural Performance Category ("SPC") rating of [_] and a Non-Structural Performance Category ("NPC") rating of [__], and [currently meet seismic standards required to house acute care services beyond January 1, [2020]. The [__] Building and the [__] Building currently have an SPC rating of 1 but must achieve an SPC rating of 2 by January 1, 2020 in order for the Corporation to continue to provide acute care services in such buildings beyond the January 1, 2020 deadline. The Corporation has been communicating with OSHPD about the compliance process, necessary permits and proposed upgrades. On a preliminary basis, management estimates that these improvements and related relocation activities may cost approximately $[__] million, but no assurance can be given that actual costs will not exceed management's current estimates. Contractor bidding for such improvements is not yet complete. The Corporation expects that both the [__] Building and the [__] Building will achieve an SPC rating of 2 on or prior to January 1, 2020 and will continue to provide acute care services.]

Information Technology

[Placeholder for discussion]

SERVICES

The Corporation provides both inpatient and outpatient services at the Hospital. Outpatient services include Primary Care, Walk-In and Urgent Care as well as Specialty Services. There are 19 specialty services in multiple locations in Oroville with some located outside the area including Yuba City and Chico. The Hospital also has 23 laboratory draw stations located throughout the [North Valley][explain what does

North Valley encompass], three imaging centers, thee outpatient rehabilitation centers, including one in Paradise, California, and a pharmacy to serve Butte County's community needs.

The Corporation's inpatient services include an intensive care unit, medical surgical unit, surgery, laboratory, radiology, cardiology, rehabilitation, respiratory therapy and an emergency service department. The Corporation also has a hospitalist program. Hospitalists provide 24-hour services to patients admitted into the hospital. Their main responsibilities include admitting patients, taking care of them while they're in the hospital and then discharging them back to their primary-care doctor.

Services provided by the Hospital include the following:

Aesthetic medicine
Ambulatory care
Anesthesia
Breast cancer services
Cancer care program
Cardiac catheterization
Cardiac rehabilitation
Cardiology
Cardiovascular testing
Childbirth services
Dermatology
Ear, nose and throat services

Emergency services
Endoscopy
Gastroenterology
Home Health
Hospitalist services
Imaging

Intensive care unit

Laboratory services
Medical-surgical units
Mental health
Nephrology
Nutritional therapy
Obstetrics and gynecology
Ophthalmology
Orthopedic surgery
Outpatient education classes

Pain management
Palliative care
Pediatrics
Pharmacy
Podiatry
Pulmonary function testing
Radiology
Rehabilitation services
Respiratory care
Robotic surgery
Skilled nursing facility
Sleep disorder testing
Stroke program

Surgical services
Telemedicine
Urology
Vascular surgery

The Corporation also delivers care throughout the [North State][what does this mean?] with expanded medical services. Valley Clinical Laboratory is a full-service medical diagnostic laboratory with 23 outpatient laboratory locations including Redding, Grass Valley and Yuba City. OHPAC provides additional medical care for patients following a hospital visit, bridging the gap between hospital and home. This 126-bed skilled nursing facility specializes in post-acute rehabilitation, helping patients regain their strength and offering guidance in areas such as nutrition, wound care, physical therapy and medication management.

Inpatient and outpatient imaging services deliver high-quality diagnostic images. Board-certified radiologists review imaging results and deliver accurate and timely diagnoses for patients. Two outpatient

imaging clinics – one focused on women's imaging needs – and one mobile MRI, make radiology services accessible throughout the [North State]. For improved health, function and recovery after a trauma, the Corporation offers both inpatient and outpatient rehabilitation therapies. With locations in Oroville and Paradise, rehabilitation services encompass occupational, physical, speech and aquatic therapies with ergonomic assessments available as well.

MEDICAL STAFF

Overview

As of November 30, 2017, [130] physicians were members of the Corporation's medical staff. Members of the medical staff join with provisional status upon application to and approval of, the medical staff and the Board. [69]% of the physicians on the medical staff are board certified, [with the remaining members exempt from board certification under medical staff bylaws or were in the certification process after completing training.][confirm if applicable] The average age of the medical staff is [__] years. Selected medical staff information is as shown in the table below.

TABLE 4
Medical Staff & Physician Age Analysis

Department	Average Age	Total Medical Staff	Board Certified
Total			

_____
Source: Corporation records.

[description of admit and discharge model]

Nursing Staff

The Corporation currently employs 383 nurses at the Hospital. The registered nursing staff turnover rates at the Hospital were 23% and 19% for the calendar years ended December 31, 2017 and December 31, 2016, respectively.

EMPLOYEES

The Corporation employs approximately 1,730 employees. Approximately 64% of the employees are governed by collective bargaining agreements with California Nurses Association and The United Steelworkers. The California Nurses Association represents all Registered Nurses which accounts for approximately 23% of the Corporation's workforce. The United Steelworkers represent the Corporation's

business office, clinic, service and technical staff; which accounts for approximately 2%, 2%, 29%, and 8% of the workforce, respectively. The Corporation's bargaining agreement with California Nurses Association will expire March 2, 2019, and negotiations are anticipated to start in January 2019. The Corporation's bargaining agreements with The United Steelworkers expire on June 14, 2022.

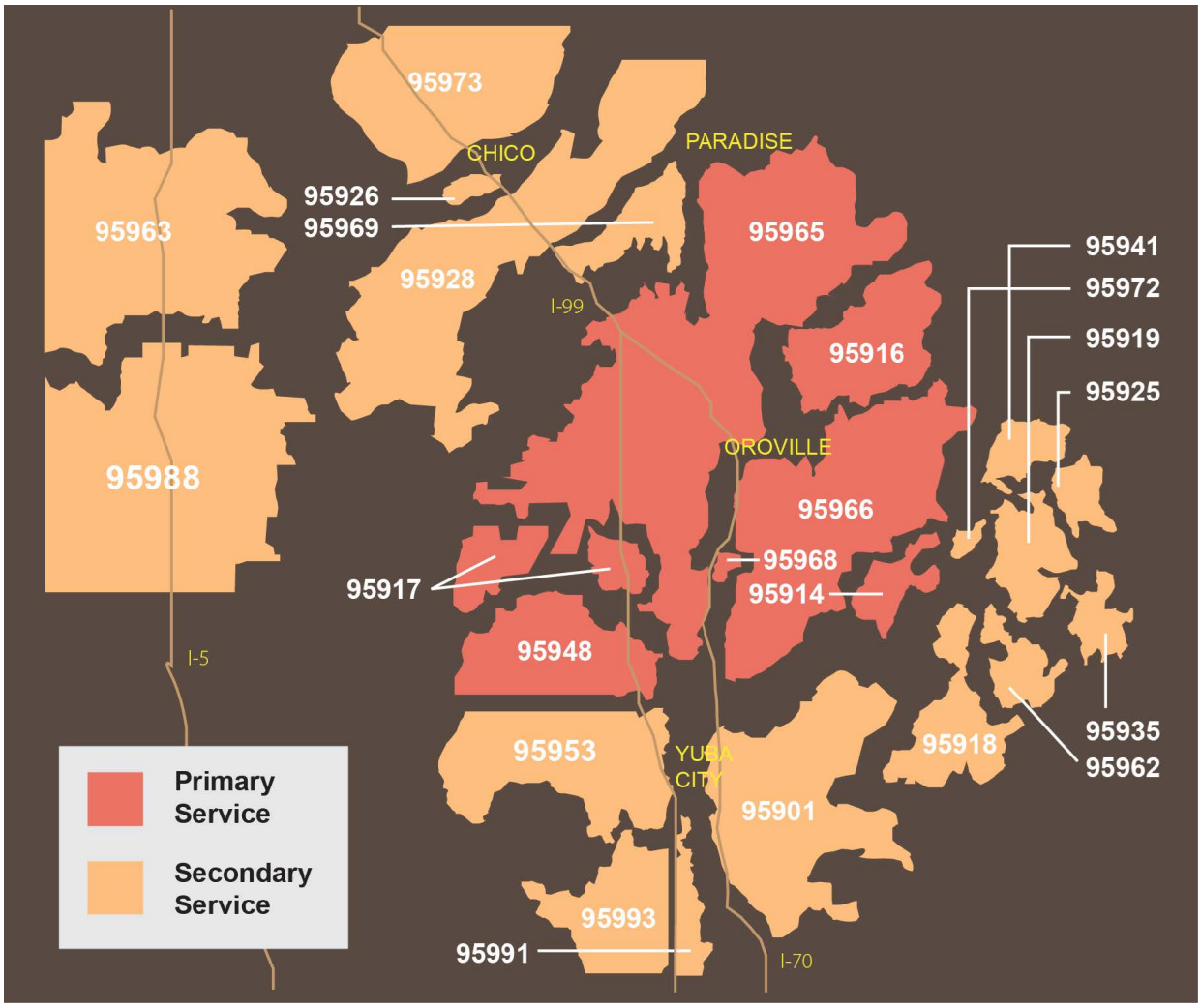
SERVICE AREA

Primary and Secondary Service Area

The Corporation's service area is divided into a primary services area ("PSA") and secondary service area ("SSA"). The PSA is defined by the Corporation to consist of the community of Oroville. The SSA consists of the communities with certain ZIP codes identified based upon an analysis of patient discharges. These communities are located principally in southern Butte County. Over 70% of the Corporation's discharges for its 2016 fiscal year came from its PSA.

The Corporation's PSA includes: Oroville (95965/95966), Bangor (95914), Berry Creek (95916), Biggs (95917), Gridley (95948) and Palermo (95968). The total population in the PSA is 68,423.

The Corporation's SSA includes: Browns Valley (95918), Brownsville (95919), Challenge (95925), Chico (95926, 95927, 95928, 95929, 95973, 95976),Dobbins (95935), Durham (95938), Feather Falls (95940), Forbestown (95941),Live Oak (95953), Magalia (95954), Marysville (95901), Olivehurst (95961),Oregon House (95962),Orland (95963),Paradise (95969), Rackerby (95972), Richvale (95974), Weed (96094), Willows (95988) and Yuba City (95991, 95993). The total population of the SSA is 332,743.



Map compiled by John Coryat USNaviguide. Available from: http://www.usnaviguide.com/
Source: 2010 US Census Bureau Demographic Profile Data. Available from: https://factfinder.census.gov

Demographics

TABLE 6
Total Resident Population in Butte County

Area	*2010*	*2017(Estmate)*	*2022* *(Projected)*	*% CAGR (2017 – 2022)*
Butte Co.	*220,000*	*229,294*		
California				
United States				

Source: [2010 US Census Bureau Demographic Profile Data. Available from: https://factfinder.census.gov].

TABLE 7
Combined PSA and SSA Population Growth Trends by Age

Population by Age	***2010***	***2017***	***2022*** *(Projected)*	***% CAGR (2017 – 2022)***
0 – 24				
25 – 44				
45 - 64				
65 – 74				
75+				

Source: [___].

TABLE 8
Median Household Income in PSA and SSA

Area	***2017***	***2022*** *(Projected)*	***% CAGR (2017 – 2022)***
PSA			
SSA			
Average PSA + SSA			
California			
United States			

Source: [___].

The unemployment rates as of December 31, 2017 for the County, the State and the United States, are shown in the table below.

TABLE 9
Rates of Unemployment

Area	***Labor Force***	***Employed***	***Unemployed***	***Unemployment Rate***
Butte County	*103,300*	*98,400*	*4,800*	*4.7%*
State of California	*19,351,000*	*18,547,900*	*803,100*	*4.3%*
United States	*258,066,000*	*155,542,000*	*6,234,000*	*3.9%*

*Source: [_*State of California Development Dept.
United States Dept. of Labor, Bureau of Labor Statistics *__].*

As of [___], the most recent available date for such information, the largest employers in the County are shown in the table below. The ten largest employers accounted for only [__]% of total employees in the County.

TABLE 10
Largest Butte County Employers

Employer	*Industry*	*Employees*
California State University Chico	*Schools*	*500 to 999*
Enloe Medical Center	*Hospital*	*1,000 to 4,999*
Feather Falls Casino & Lodge	*Casino*	*500 to 999*
Feather River Adventist Health	*Hospital*	*500 to 999*
Oroville Hospital	*Hospital*	*1,000 to 4,999*
Pacific Coast Producers	*Canning*	*1,000 to 4,999*

_____
Source: [State of California Employment Development Department___].

COMPETITION

The Corporation has over 70% market share for most health care services provided in its primary service area. The table below provides information regarding other acute care providers in the area. [Include similar tables for secondary service area?]

TABLE 11
Major Competitors in Primary Service Area

Hospital	City	Size/Beds	Distance from Hospital in Drive Time
Feather River Hospital	Paradise	100	25 Minutes
Enloe Medical Center	Chico	298	30 Minutes
Rideout Memorial Hospital	Marysville	221	35 minutes adventist

_____
Source: Corporation records.

TABLE 12
Market Share of Discharges in Primary Service Area

Hospital	2015	2016
Feather River Hospital	4.12%	4.48%
Enloe Medical Center	10.69%	11.33%
Rideout Memorial Hospital	1.8%	1.69%

_____
Source: OSHPD, State of California Patient Discharge Database.

UTILIZATION

The table below presents selected statistical indicators of patient activity for the Corporation for the fiscal years ended November 30, 2015, 2016 and 2017.

TABLE 13
Historical Utilization Data

	Fiscal Year ended November 30,			Nine months ended August 31,	
CATEGORY	**2015**	**2016**	**2017**	**2017**	**2018**
Patient Days	41,493	41,712	43,646	32,747	33,779
Adjusted Patient Days[(1)]	66,210	79,327	82,949	62,112	66,628
Discharges	11,873	12,392	12,753	9,558	10,123
Adjusted Discharges[(1)]	18,946	23,567	24,237	18,129	19,967
Medicare Patient Days	22,345	21,255	22,631	17,029	17,646
Medicare Discharges	5,662	5,722	5,969	4,505	4,645
Medicare Case Mix	1.5573	1.5191	1.5220	1.5117	1.5549
Births	462	453	393	296	326
ER Visits	33,574	33,587	29,930	23,075	20,994
Home Health Visits	8,964	8,425	7,171	5,038	4,900
Laboratory Procedures	2,223,706	2,151,169	2,333,858	1,723,764	1,931,365
Clinic Visits	227,118	255,609	272,525	202,657	226,512

Source: Corporation Records.

SOURCES OF REVENUE

Patient Service Revenue

Payments to the Corporation will be made on behalf of certain patients by the federal government under the Medicare program, by the federal government and the State of California under the Medicaid program (known as Medi-Cal in California) by the County of Butte for certain indigent patients, by commercial insurance carriers, by various prepaid health plans and by many self-insured employers, unions and other groups. Certain patients may be expected to pay amounts not covered by insurance.

Medicare is a federal program, administered by the Centers for Medicare and Medicaid Services, available to individuals aged 65 or over and to certain disabled persons. Medi-Cal is a federal and state program under which the Corporation furnishes medical services to certain groups of indigent patients.

TABLE 14
Historical Net Patient Service Revenue Payor Mix

	Fiscal Years ended November 30,			Nine Months ended August 31,
Total Net Revenue	**2015**	**2016**	**2017**	**2018**
Medicare (including Medicare Managed Care)	45.9%	45.1%	44.6%	42.9%
MediCal (including Medi-Cal Managed Care)	39.9	42.1	43.5	45.1
Commercial Payors	14.1	12.6	11.6	11.7
Other/Private Payors	0.1	0.2	0.3	0.3
Total Net Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Corporation records.

Certain Financial Incentive Programs

California Hospital Provider Fee. The State of California enacted State Assembly Bill 1383 in 2009, as amended by State Assembly Bill 1653 in 2010, which established a hospital quality assurance fee program (the "Hospital Fee Program"). This program imposed a provider fee on certain California general acute care hospitals that, combined with federal matching funds, would be used to provide supplemental payments to certain hospitals.

In early 2014, the California Legislature approved a three-year extension of the Hospital Fee Program from January 1, 2014 through December 31, 2016. In December 2014, CMS approved the fee-for-service Medi-Cal supplemental payments portion of this 36-month extension, and, on June 30, 2015, CMS approved the non-expansion managed care supplemental payments portion for the first six months of this 36-month program. During 2016, CMS approved managed care non-expansion periods July 1, 2014 through June 30, 2015, and expansion periods January 1, 2014 through December 31, 2014. In November 2016, the Hospital Fee Program was made permanent by the California Legislature by the passage of Proposition 52. In December 2017, CMS approved the fee-for-service Medi-Cal supplemental payments portion for the period January 1, 2017 through June 30, 2019.

Below is a summary of the Corporation's total Hospital Fee Program revenue and expenses for the fiscal years ended November 30, 2015, 2016 and 2017.

TABLE 15
Net Benefit from Hospital Fee Program

	Fiscal Years ended November 30,			Nine Months ended August 31,
	2015	**2016**	**2017**	**2018**
Hospital Fee Program revenue	$ 27,007,471	$ 29,174,020	$ 39,347,347	$ 38,372,218
Hospital Fee Program expenses	13,901,034	15,597,497	14,588,616	12,653,036
Net benefit	$ 13,106,437	$ 13,576,523	$ 24,758,731	$ 25,719,182

Source: Corporation records.

Disproportionate Share Hospital Program. The Corporation has received funding from California as the operator of Medi-Cal disproportionate share hospitals under Senate Bill 1100, DSH Replacement Program. At November 30, 2017, the Corporation recorded a $2,370,874 receivable from the Department of Health Care Services ("DHS") for supplemental funding due for the period from June 1, 2016 through November 30, 2017 based upon funding information received from DHS. At November 30, 2107, the Corporation recorded a receivable of $706,254 from DHS for supplemental funding due for the period through November 30, 2016. Amounts to be received in future years, if any, are subject to annual determination.

Fundraising

[placeholder for discussion, if applicable]

FINANCIAL INFORMATION

Summary Historical Financial Data

The following summary information for the Consolidated Statements of Activities for the fiscal years ended November 30, 2015, 2016 and 2017 and the Consolidated Statements of Financial Position as of November 30, 2015, 2016 and 2017 have been derived by management from the audited consolidated financial statements of the Corporation and Subsidiaries. The following summary Consolidated Statements of Activities for the nine months ended August 31, 2018 and the Consolidated Statements of Financial Position as of August 31, 2018 have been derived from the unaudited consolidated financial statements of the Corporation and Subsidiaries. The financial information for the fiscal years ended November 30, 2016 and 2017 should be read in conjunction with the audited consolidated financial statements, supplementary information and related notes included as Appendix B to this Official Statement.

Under generally accepted accounting principles in the United States, the financial results of the Corporation are combined with those of its Subsidiaries in the audited consolidated financial statements included as Appendix B to this Official Statement. Unless otherwise indicated, all references in this Appendix A to financial information of the Corporation includes financial results of the Subsidiaries. For the fiscal year ended November 30, 2017, the Corporation reported net patient revenues of approximately $270 million, total revenues of approximately $272.45 million and change in net assets from operations of approximately $14.72 million, representing approximately 95.0%, 95.0% and 98.7% of the net patient revenues, total revenues and change in net assets from operations, respectively, of the Corporation and Subsidiaries. As of November 30, 2017, the Corporation's total assets were approximately $164.22 million, total liabilities were approximately $85.02 million and net assets were approximately $79.20 million, representing approximately 91.6%, 87.0% and 97.2% of the total assets, total liabilities and total unrestricted net assets, respectively, of the Corporation and Subsidiaries. See "FINANCIAL INFORMATION" herein. [tbd – mention Subsidiaries as Immaterial Affiliates under Master Indenture]

TABLE 16
Consolidated Statements of Activities

	Fiscal Years ended November 30,			Nine Months ended August 31	
	2015	**2016**	**2017**	**2017**	**2018**
Revenues, gains and other support					
Net patient service revenue	$ 234,602,981	$ 249,678,182	$284,203,459	$ 201,371,364	$ 227,966,289
Other revenue	2,343,743	1,410,874	2,711,984	1,384,111	1,383,364
Net assets released from restriction	8,834				
Total revenues, gains and other support	236,955,558	251,089,056	286,915,443	202,755,475	229,349,653
Operating expenses					
Salaries and wages	74,749,337	83,288,136	94,471,705	66,739,468	72,351,004
Employee benefits	32,828,877	35,798,261	39,369,173	25,863,224	27,388,449
Legal and professional fees	40,284,294	43,975,773	47,732,945	35,084,134	43,410,040
Supplies	24,958,942	29,084,799	33,685,244	23,817,981	26,427,348
Purchased services	12,637,258	12,479,007	17,163,657	10,171,413	11,063,550
Depreciation	6,497,167	7,137,912	7,446,663	5,106,782	5,976,934
Rent	4,551,958	4,893,167	5,891,707	3,756,876	4,256,185
Insurance	2,387,154	2,227,182	2,341,373	1,575,861	1,578,903
Interest expense	1,108,089	1,189,931	1,475,138	799,747	943,995
Utilities	1,403,497	1,635,796	1,996,249	1,249,381	1,357,756
Hospital fee program payments	13,901,034	15,597,497	14,588,616	11,970,688	12,653,036
Other expenses	3,556,603	4,241,975	5,847,863	3,489,934	3,884,547
Total operating expenses	218,864,211	241,549,436	272,010,333	189,625,490	211,291,749
Change in net assets from operations	18,091,347	9,539,620	14,905,110	13,129,985	18,057,904
Non-operating income					
Investment income	469,830	110,324	1,154,812	424,201	219,712
Non-operating income	145,914	9,005	14,454	34,740	49,338
Total non-operating income	615,744	119,329	1,169,266	458,941	269,050
Change in net assets	18,707,091	9,658,949	16,074,376	13,588,926	18,326,954
Unrestricted net assets, beginning of year	34,945,854	53,652,946	63,311,895	63,311,895	81,444,622
Contributions from non-controlling ownership interests	-	-	2,286,338	-	-
OHPAC net deficit assumed	-	-	(227,987)	-	-
Unrestricted net assets, end of year	**$ 53,652,946**	**$ 63,311,895**	**$ 81,444,622**	**$ 76,900,821**	**$ 99,771,576**

Source: Corporation records.

TABLE 17
Consolidated Statements of Financial Position

	November 30,			August 31,	
	2015	2016	2017	2017	2018
Current assets					
Cash and Cash Equivalents	$ 43,505,483	$ 22,928,130	$ 6,661,859	$ 8,476,727	$ 24,592,648
Investments, Marketable Securities	-	29,785,895	28,401,131	30,068,655	19,401,131
Assets Limited to Use	643,992	664,000	680,351	425,355	6,434,301
Patient Receivables	23,060,775	23,438,889	30,863,702	27,921,839	34,349,867
Other and Supplemental Funding Receivables	9,845,205	14,333,639	48,789,140	36,391,632	36,972,109
Inventories	1,850,289	2,075,019	2,300,981	1,993,806	2,407,102
Prepaid Expenses	1,398,281	1,268,900	1,098,853	1,038,033	1,437,752
Total current assets	80,304,025	94,494,472	118,796,017	106,316,046	125,594,909
Property and equipment, net	40,441,216	38,092,941	56,263,963	36,717,267	64,448,221
Other assets					
Notes receivable, net of current portion	$ 369,532	$ 529,444	$ 3,515,374	$ 2,945,294	$ 3,929,825
Investment in Comp-OH, LLC	410,875	475,410	613,681	320,814	306,507
Investment in OHPAC	447,564	289,911	-	289,911	-
Investment in OSP	-	7,000	-	140,623	-
Other	-	0	-	3,262,866	2,495,779
Total other assets	1,227,971	1,301,765	4,129,055	6,959,508	6,732,111
Total assets	**$ 121,973,212**	**$ 133,889,178**	**$ 179,189,035**	**$ 149,992,821**	**$ 196,775,241**
Current liabilities					
Current portion of long-term debt	$ 2,739,482	$ 2,818,871	$ 3,848,444	$ 2,777,810	$ 2,420,461
Current portion of capital lease obligations	2,543,485	2,728,091	3,137,394	2,791,888	3,571,371
Accounts payable	17,878,767	11,213,117	12,643,071	10,103,333	12,531,196
Supplemental funding payable	-	8,457,594	16,924,217	17,317,493	10,136,084
Estimated Medicare & Medi-Cal settlements	-	142,804	65,580	0	0
Due to affiliates	2,605,867	3,058,886	4,889,108	1,472,218	3,477,203
Accrued payroll and payroll taxes	4,312,796	5,216,352	6,582,436	3,847,626	5,145,749
Accrued vacation	6,579,458	7,094,112	7,749,700	7,726,230	8,423,551
Accrued professional fees	2,657,187	2,907,165	3,310,584	3,370,625	4,046,298
Accrued insurance	698,929	1,226,831	1,973,923	734,246	471,176
Accrued pension contribution	1,689,112	1,800,197	1,948,894	1,748,758	1,939,802
Other accrued liabilities	53,708	1,138,003	1,151,513	91,349	225,409
Total current liabilities	41,758,791	47,802,023	64,224,864	51,981,576	52,388,299
Long-term liabilities					
Estimated Medicare & Medi-Cal Settlements, net of current portion	1,452,232	-	-	254,962	-
Long-term debt, net of current portion	17,912,720	16,368,536	25,843,237	14,543,228	34,668,975
Capital lease obligations, net of current portion	7,196,523	6,406,724	7,676,312	6,312,234	9,946,391
Total long-term liabilities	26,561,475	22,775,260	33,519,549	21,110,425	44,615,366
Total liabilities	68,320,266	70,577,283	97,744,413	73,092,000	97,003,665
Net assets					
Unrestricted	53,652,946	63,311,895	78,948,782	76,900,821	99,771,576
Non-controlling interest			2,495,840		
Total unrestricted net assets	53,652,946	63,311,895	81,444,622	76,900,821	99,771,576
Total liabilities and net assets	**$ 121,973,212**	**$ 133,889,178**	**$ 179,189,035**	**$ 149,992,821**	**$ 196,775,241**

Source: Corporation records.

Management's Discussion of Financial Performance

Nine Months Ended August 31, 2018 versus Nine Months Ended August 31, 2017

For the nine months ended August 31, 2018, the Corporation reported excess of revenues over expenses of $18.3 million compared to the nine months ended August 31, 2017 excess of revenue over expenses of $13.6 million. The year over year increase was primarily attributable to higher net revenue from the Hospital Fee Program.

Net patient service revenue (net of contractual allowances and discounts) increased to $189.6 million for an increase of $17.5 million (10%) for the nine-month period ended August 31, 2018 as compared to August 31, 2017. The growth in net patient service revenue was primarily driven by continued volume growth in both inpatient discharges and outpatient visits. Total discharges of 10,123 for the nine months ended August 31, 2018 were up 6%, or 565 discharges, compared to the prior nine months. Total outpatient clinic visits of 226,512 for the nine months ended August 31, 2018 increased by 12%, or 23,855 visits, from the prior nine months. In addition, the case mix index of 1.5549 was 2.9% higher than the nine months ended August 31, 2017.

Total expenses increased from $189.6 million for the nine months ended August 31, 2017 to $211.3 million in the nine months ended August 31, 2018, an increase of $21.7 million (11%), with the increase corresponding to the increases in net revenues and volumes. In particular, salaries and employee benefits increased $7.1 million (8%) to $99.7 million due to compensation increases and new positions added in line with the Corporation's strategic plans.

The Corporation's investment income decreased from $424,000 for the nine months ended August 31, 2017 to $220,000 for the nine months ended August 31, 2018 because a portion of investments were liquidated in the early part of 2018 due to the delay in receiving revenues from the Hospital Fee Program. Revenues are now being received quarterly with plans to restore investments to previous levels.

During the nine months ended August 31, 2018, net assets increased $22.8 million (30%) to $99.7 million, compared with the prior fiscal year due to continued operational growth.

Long-term debt including capital leases, less current maturities, increased $23.8 million. During the first three quarters, the Corporation refinanced the City of Oroville, California Variable Rate Demand Hospital Revenue Bonds (Oroville Hospital), 2012 Series A (the "Series 2012A Bonds") with the fixed rate Series 2018A Bonds. The Series 2018A Bonds also raised $9.8 million for the Project. The Corporation paid off the note payable to Comerica Bank ($3.4 million), financed Network Storage System ($2.5 million), da Vinci Robot ($1.2 million), a Signa Voyager Mobile CT ($1.3 million), an Omnicell system ($1.6 million), acquired office buildings for two of its subsidiaries, OMP and OHPAC Partners, and added a $2 million line of credit.

Fiscal Year Ended November 30, 2017 versus Fiscal Year Ended November 30, 2016

For the fiscal year ended November 30, 2017, the Corporation reported excess of revenues over expenses of $16 million compared to fiscal year ended November 30, 2016 excess of revenue over expenses of $9.7 million. The year over year increase was primarily attributable to continued patient volume growth as well as an increase in net revenue from the Hospital Fee Program.

Net patient service revenue (net of contractual allowances and discounts) increased to $244.9 million for an increase of $24.3 million (11%) for the fiscal year ended November 30, 2017 as compared to November 30, 2016. The growth in net patient service revenue was primarily driven by continued

volume growth in both inpatient discharges and outpatient visits. Total discharges of 12,752 for the fiscal year ended November 30, 2017 were up 3%, or 361 discharges, compared to the prior fiscal year. Total outpatient clinic visits of 272,525 for the fiscal year ended November 30, 2017 increased by 7%, or 16,916 visits, from the prior fiscal year. In addition, the case mix index of 1.522 was 0.2% higher than the fiscal year ended November 30, 2016.

Total operating expenses increased from $241.5 million for the fiscal year ended November 30, 2016 to $272 million in the fiscal year ended November 30, 2017, an increase of $30.5 million (13%), with the increase corresponding to the increases in net revenues and volumes. In particular, salaries and employee benefits increased $14.7 million (12%) to $133.8 million due to compensation increases and new positions added in line with the Corporation's strategic plans.

The Corporation's investment income of $1.1 million for fiscal year ended November 30, 2017 represents an increase of $1 million over the $110,000 earned in the prior fiscal year because 2017 was the first year that the Corporation made investments in bonds and securities.

During the fiscal year ended November 30, 2017, net assets increased $18 million (29%) to $81.4 million, compared with the prior fiscal year due to continued operational growth.

Long-term debt including capital leases, less current maturities, increased by $10.7 million from the prior fiscal year, largely due to subsidiary activities. OMP and OHPAC Partners purchased two medical office buildings and a long term care facility respectively resulting in $9.5 million in financing. The Corporation also financed the new Network Storage System ($2.5m).

Fiscal Year Ended November 30, 2016 versus Fiscal Year Ended November 30, 2015

For the fiscal year ended November 30, 2016, the Corporation reported excess of revenues over expenses of $9.7 million compared to fiscal year ended November 30, 2015 excess of revenue over expenses of $18.7 million. The decrease in excess of revenues over expenses is a result of a 6% increase in Revenue offset by a 10% increase in expenses. Salaries and wages increased $8.5 million due to expanded services, many of which were too new in 2016 to have an impact on revenue. Health insurance increased $1.4m, registry increased $1.3 million, pharmaceuticals increased $1.8m, and physician fees increased $3.2 million.

Net patient service revenue (net of contractual allowances and discounts) increased to $220.5 million for an increase of $12.9 million (6%) for the fiscal year ended November 30, 2016 as compared to November 30, 2015. The growth in net patient service revenue was primarily driven by continued volume growth in both inpatient discharges and outpatient visits. Total discharges of 12,392 for the fiscal year ended November 30, 2016 were up 4%, or 519 discharges, compared to the prior fiscal year. Total outpatient clinic visits of 255,609 for the fiscal year ended November 30, 2016 increased by 13%, or 28,491 visits, from the prior fiscal year. In addition, the case mix index of 1.519 was 2.5% lower than the fiscal year ended November 30, 2015.

Total expenses increased from $218.9 million for the fiscal year ended November 30, 2015 to $241.5 million in the fiscal year ended November 30, 2016, an increase of $22.6 million (10%), with the increase corresponding to the increases in net revenues and volumes. In particular, salaries and employee benefits increased $11.5 million (11%) to $119 million due to compensation increases and new positions added in line with the Corporation's strategic plans.

The Corporation's investment income decreased $360,000 from $470,000 for the fiscal year ended November 30, 2015 to $110,000 for the fiscal year ended November 30, 2016 due to the initial fees and

costs of the Corporation's investments at Morgan Stanley and First Citizens Bank made close to the fiscal year end, which decreased the value of the investments for the audited financial statements in 2015. A gain was recognized the following year.

During the fiscal year ended November 30, 2016, net assets increased $9.7 million (18%) to $63.3 million, compared with the prior fiscal year due to continued operational growth.

Long-term debt including capital leases, less current maturities decreased by $2.3 million from the prior fiscal year, as principle payments redemption exceeded added financing in fiscal year ended November 30, 2016.

Historical and Pro Forma Debt Service Coverage

The following table sets for the calculation of consolidated Net Income Available for Debt Service, Maximum Annual Debt Service and Debt Service Coverage as of Fiscal Years ended November 30, 2015, 2016 and 2017, and a pro forma basis for the Fiscal Year ended November 30, 2017, assuming the issuance of the Series 2018A Bonds, the redemption of the Series 2012A Bonds and the issuance of the Series 2018B Bonds on December 1, 2016.

TABLE 18
Historic and Pro Forma Coverage of Maximum Annual Debt Service

	Fiscal Years Ended November 30,			
	2015	**2016**	**2017 Actual**	**2017 Pro Forma**
Excess of Revenues over Expenses	$ 18,091,348	$ 9,539,620		
Less: Short Term Interest Payments	($60,516)	($53,110)		
Plus: Non-operating Revenues	$ 615,744	$ 119,329		
Plus: Depreciation and Amortization				
Interest Expense	$ 7,605,256	$ 8,327,843		
Net Income Available for Debt Service	$ 26,251,832	$17,933,682		
Maximum Annual Debt Service	$ 5,654,862	$ 6,733,983		
Debt Service Coverage Ratio	**4.64**	**2.66**		

Source: Corporation records.

Days Cash on Hand

The following table sets forth the [consolidated] days cash on hand as of November 30 for the three prior fiscal years:

TABLE 19
Historic and Pro Forma Days Cash on Hand

	November 30,		
	2015	**2016**	**2017 (Actual)**
Unrestricted Cash Reserves:			
Cash and Cash Equivalents	43,505,483	52,714,025	35,062,990
Board Designated Funds	643,992	664,000	680,351
Total Unrestricted Cash	44,149,475	53,378,025	35,743,341
Daily Cash Expenditures:			
Total Operating Expense	218,864,210	241,549,436	272,010,333
Number of Days in Fiscal Year	365	366	365
Daily Cash Expenditures	599,628	659,971	745,234
Number of Days Cash on Hand (Total Unrestricted Cash divided by Daily Cash Expenditures)	**74**	**81**	**48**

Source: Corporation records.

Capitalization

The following table sets forth the capitalization of the Corporation as of November 30 for the prior three fiscal years, and a pro forma basis for the fiscal year ended November 30, 2017, assuming the issuance of the Series 2018A Bonds, the redemption of the Series 2012A Bonds and the issuance of the Series 2018B Bonds on November 30, 2017.

TABLE 20
Historic and Pro Forma Capitalization

	November 30,			
	2015	**2016**	**2017 Actual**	**2017 Pro Forma**
Long-term Debt:				
Series 2012A Bonds	12,270,000	11,305,000	10,310,000	-
Series 2018A Bonds	-	-	-	19,600,000
Series 2018B Bonds	-	-	-	[PAR]*
Capital Leases	9,740,008	9,134,815	10,813,706	
Notes Payable	8,382,202	7,882,407	19,381,681	
Total Long-term Debt	30,392,210	28,322,222	40,505,387	
Less: Current Maturities of Long-term Debt	(5,282,967)	(5,546,962)	(6,985,838)	
Net Long-term Debt	25,109,243	22,775,260	33,519,549	
Total Net Assets (exclusive of restricted)	53,652,946	63,311,895	81,444,622	
Total Capitalization	**78,762,189**	**86,087,155**	**114,964,171**	
Debt to Capital Ratio	**0.32**	**0.26**	**0.29**	

* *Preliminary, subject to change.*
Source: Corporation records.

The Series 2018A Bonds were issued as fixed rate bonds and purchased by MUFG Union Bank, N.A. [placeholder to discuss what will happen]

[tbc][Certain of the Notes Payable are secured by real estate, of which some comprise portions of the Deed of Trust Property.] See Note 9 of APPENDIX B – OROVILLE HOSPITAL AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS.

Other Indebtedness

The Corporation has a line of credit with Commerce Bank. [$2m LOC with Commerce Bank?] See Note 11 of APPENDIX B – OROVILLE HOSPITAL AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS.

Interest Rate Risk Management and Use of Derivative Instruments

[IS THERE STILL ONE? SEE NOTE 10 OF AUDIT]

Investment Policies

[PLACEHOLDER LANGUAGE]

Retirement and Benefit Plans

The Corporation has a profit sharing plan covering substantially all employees of the Corporation. Contributions to the plan are made at the discretion of the Corporation, and the plan does not require annual contributions. The Corporation authorized and accrued a contribution for the plan years ended November 31, 2017 and 2016, for approximately $1,950,000 and $1,800,000, respectively.

OTHER INFORMATION

Licenses, Membership and Accreditation

[UPDATE] The Corporation's license by the State of California Department of Public Health extends through December 31, 2012. The Corporation contemplates that it will be able to renew its license in due course. The Corporation is a member of the California Hospital Association.

Insurance

Comprehensive Liability Insurance. The Corporation currently carries comprehensive hospital liability insurance (including professional liability insurance) with a limit annually of $5,000,000 per occurrence and $15,000,000 in the aggregate. This coverage is after the Corporation pays a $25,000 deductible for each insured occurrence. The insurance carrier is California Healthcare Insurance Company. The Corporation also has other customary insurance coverage, including property damage, boiler and machinery and fidelity coverage with various insurance carriers. The members of the Board of Trustees and the Corporation's officers are covered by a directors and officers liability policy. The Corporation does not carry earthquake insurance.

Self-Insurance Program. Employees receive health and dental benefits through a self-insurance program sponsored by OroHealth. An estimate of amounts due and payable on existing claims which are

self-insured is included in current liabilities in the financial statements and totaled $1,786,893 and $1,102,069 as of November 30, 2017 and 2016, respectively.

Medical Malpractice Insurance Policy. The Corporation maintains a claims-made medical malpractice insurance policy whereby the Corporation has contracted for a self-insured retention amounting to $50,000 per claim. This policy includes a liability limit for each occurrence of $5,000,000 and an aggregate limit for all payments of $15,000,000. [The policy expires on February 1, 2019.][future plans?] A claims-made insurance policy covers only malpractice claims reported to the insurance carrier during the policy term, regardless of the date of the incident giving rise to the claim. Tail coverage insurance is designed to cover malpractice claims incurred before, but reported after, cancellation or expiration of a claims-made insurance policy. No tail coverage insurance has been purchased. [The Hospital was not aware of any incurred-but-not-reported claims that existed as of November 30, 2017.][update] Furthermore, the Hospital maintains insurance coverage and has the ability to continue this coverage; therefore, no contingent liability related to incurred-but-not-reported claims has been accrued.

Investigations and Litigation

[DISCUSS ANY MATERIAL LITIGATION OR REGULATORY INVESTIGATION] [The Corporation is unaware of any malpractice claim paid on its behalf which was not covered by medical malpractice insurance, excluding applicable deductibles. The Corporation does not currently have pending any material malpractice or professional liability claims or lawsuits for compensatory damages which are not covered by malpractice or professional liability insurance. In accordance with California law, any claims for punitive damages are not covered by insurance. There are no medical malpractice, professional liability or other claims pending against the Corporation which seek punitive damages which, in the opinion of Corporation management, present a significant risk of material adverse financial impact.]

Chico Enterprise-Record
400 E. Park Ave.
Chico, Ca 95928
530-896-7702
erlegal@chicoer.com

3699074

QUINT & THIMMIG
900 LARKSPUR LANDING CIR SUITE 270
LARKSPUR, CA 94939

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA, IN AND FOR THE COUNTY OF BUTTE

In The Matter Of
Notice of Public Hearing - City of Oroville

AFFIDAVIT OF PUBLICATION

STATE OF CALIFORNIA } **SS.**

COUNTY OF BUTTE

The undersigned resident of the county of Butte, State of California, says:

That I am, and at all times herein mentioned was a citizen of the United States and not a party to nor interested in the above entitled matter; that I am the principal clerk of the printer and publisher of

The Chico Enterprise-Record
The Oroville Mercury-Register

That said newspaper is one of general circulation as defined by Section 6000 Government Code of the State of California, Case No. 26796 by the Superior Court of the State of California, in and for the County of Butte; that said newspaper at all times herein mentioned was printed and published daily in the City of Chico and County of Butte; that the notice of which the annexed is a true printed copy, was published in said newspaper on the following days:

10/22/2018

Dated October 23, 2018
at Chico, California

(Signature)

Legal No. **0006239164**

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on Tuesday, November 6, 2018, a public hearing will be held as required by section 147(f) of the Internal Revenue Code of 1986 (the "Code") with respect to the proposed issuance by the City of Oroville (the "City") of revenue bonds in an amount not to exceed $285,000,000 (the "Bonds") for the purpose of assisting the Oroville Hospital, a nonprofit public benefit corporation (the "Corporation"). The Bonds will be issued to finance and refinance the acquisition, construction, improvement, renovation and/or equipping of certain health care facilities (the "Project") owned or to be owned and/or operated by the Corporation which facilities are or will be located in the City.

The hearing will commence at 7:00 P.M. or as soon thereafter as the matter can be heard, and will be held at City Hall, City Council Chambers, 1735 Montgomery Street, Oroville, California. Interested persons wishing to express their views on the issuance of such bonds or on the nature and location of the facilities proposed to be financed will be given an opportunity to do so at the public hearing or may, prior to the time of the hearing, submit written comments to the City Clerk of the City of Oroville, 1735 Montgomery Street, Oroville, CA 95202.

All proceedings before the City Council are conducted in English. The City of Oroville does not furnish interpreters and, if one is needed, it shall be the responsibility of the person needing one.

If you challenge the proposed action in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the City Council at, or prior to, the public hearing.

Date: October 22, 2018

OROVILLE CITY COUNCIL
MONTHLY REPORT
SEPTEMBER

TO: **MAYOR AND CITY COUNCIL MEMBERS**
TOM LANDO, CITY ADMINISTRATOR

FROM: **BILL LAGRONE, POLICE AND FIRE CHIEF**

RE: **POLICE DEPARTMENT MONTHLY REPORT FOR SEPTEMBER 2018**
FIRE DEPARTMENT MONTHLY REPORT FOR SEPTEMBER 2018

DATE: **NOVEMBER 6, 2018**

SUMMARY

The Council will receive a monthly report regarding the activities, revenues, and general information for the Police and Fire Departments.

Staffing:

Positions	Total staffed	Total Authorized	Total Vacant/Frozen
Police Officer	16.5	19.5	2*
Dispatcher	8	9	0*
Community Service Officers / Evidence	5	8	2
Administrative Personnel	2	3	1
Code Enforcement	1	1	0
School Resource Officer (SRO)	3	3	0

*alternatively filled or awaiting promotions

Positions	Total staffed	Total Authorized	Total Vacant/Frozen
Firefighters	0	1	1/0
Fire Engineer	8	9	1/0
Fire Captain	3	3	0/0
Administrative Personnel	3	3	0/0

Police Overtime YTD:

Overtime Budgeted	Overtime Expended YTD	Percentage Expended
$382,149.00	$103,356.00	**27%**

Fire Overtime YTD:

Overtime Budgeted	Overtime Expended YTD	Percentage Expended
$250,000.00	*$259,954.00	**104%**

*Out of County Reimbursable Strike Team expenditure

Department Activity:

Events Year to Date 2018	Average Response Time for Crimes against persons *Priority 1 crimes	Average Response Time for all types of calls for Service	National Average Response Time
35,576	7.43	15.32 minutes	8 - 11 minutes

Downtown Foot and Patrol Checks:

	Park Patrols	Patrol Checks
SEPTEMBER 2018	50	266
Year to Date	320	621

Parking Enforcement Citations Issued:

SEPTEMBER 2018	Year to Date 2018	SEPTEMBER 2017	Year to date 2017
4	22	8	51

Police Activity:

Arrest	SEPTEMBER 2017	SEPTEMBER 2018	Year to date 2017	Year to date 2018
Misdemeanor	210	309	2,182	1,948
Felony	77	56	633	496

Citations	SEPTEMBER 2017	SEPTEMBER 2018	Year to date 2017	Year to date 2018
	107	103	1,041	588

Uniform Crime Reporting:

Crimes of Violence	SEPTEMBER 2018	Year to Date JANUARY – SEPTEMBER
Homicide	0	3
Rape	1	10
Robbery	4	25
Aggravated Assault	4	47

Population per 2010 Census 18,985
Violent Crimes YTD 284
Violent Crime Rate 0.0150

Fire Department Activity:

FIRE DEPARTMENT ACTIVITY
Insert Incident Type etc.

	1	0.29%
111 - Building fire	6	1.75%
118 - Trash or rubbish fire, contained	5	1.46%
131 - Passenger vehicle fire	1	0.29%
140 - Natural vegetation fire, other	11	3.22%
151 - Outside rubbish, trash or waste fire	1	0.29%
243 - Fireworks explosion (no fire)	2	0.58%
321 - EMS call, excluding vehicle accident with injury	241	70.47%
322 - Motor vehicle accident with injuries	3	0.88%
324 - Motor vehicle accident with no injuries.	23	6.73%
400 - Hazardous condition, other	1	0.29%
411 - Gasoline or other flammable liquid spill	1	0.29%
412 - Gas leak (natural gas or LPG)	2	0.58%
554 - Assist invalid	14	4.09%
611 - Dispatched & cancelled en route	3	0.88%
651 - Smoke scare, odor of smoke	26	7.60%
900 - Special type of incident, other	1	0.29%
Zone: Not Specified Total Incident:	342	100.00%
TOTAL INCIDENTS FOR All ZONES:	**342**	**100%**

FIRE DEPARTMENT ACTIVITY

TOTAL CALLS:

SEPTEMBER 2018	2018 YTD	SEPTEMBER 2017	2017 YTD
342	3,413	411	3,539

Response Time (Code 3):

SEPTEMBER 2018	2018 YTD	SEPTEMBER 2017	2017 YTD
05:05	05:00	04:52	04:50

Response Time (Code 2):

SEPTEMBER 2018	2018 YTD	SEPTEMBER 2017	2017 YTD
07:07	07:10	05:54	06:28

Fire Marshall Inspections:

	SEPTEMBER 2018	2018 Year to Date	SEPTEMBER 2017	2017 Year to Date
Occupancy	5	49	11	76
Fire Inspections	10	387	8	351

SPCA Statics:

Service Calls by Priority:

Priority Level	Number of Calls	Total Minutes per call type	Average response times
Urgent	12	98	8.19
Priority	61	378	6.19
At Officer Convenience	7	66	9.49
After Hours	25	173	6.93

Animal Intake and Outcome Stats:

Total Animals taken in from City	Total Animals outgoing	Cats	Dogs	Other	Bird	Livestock
145	143	79	63	1	2	0

*The remaining difference from intakes to outcome total represents animals that have not yet had an outcome and are still in the facility.

Animal Outcomes:

Outcome Type	**Totals**	**Dogs**	**Cats**	**Livestock**	**Birds**	**Other**
Adoption	20	12	8	0	0	0
Died	2	0	2	0	0	0
Disposal	12	4	5	0	1	2
Euthanasia	68	15	50	0	1	2
Foster	11	11	0	0	0	0
RTO	29	29	0	0	0	0
Transfer	1	0	0	0	1	0

*Others are wild animals such as bats, skunks, snakes, possums, etc….

SPCA After-hours call outs:

SEPTEMBER 2018	Fiscal Year to Date
25	

Shoes for Kids:

Shoes Provided	Socks Provided
0	0

This program provides shoes and socks for children of our Community. This program is funded by Department member donations and community donations.

Volunteers:

Total Number of V.I.P.S. Volunteer Hours for 2018:

Volunteer Hours converted to dollar amount:
Value of Volunteer hour in California $26.87

1367.7 X 26.87 = **$36,750.09**

Total Number of Staff Volunteer Hours for 2018:

Volunteer Hours converted to dollar amount:
Value of Volunteer hour in California $26.87

1,177.1 X $26.87 = **$31,628.67**

FISCAL IMPACT
No impact to the General Fund.

RECOMMENDATIONS
Receive and file the SEPTEMBER, 2018, monthly report regarding the activities, and other general information of the Public Safety Department.

Jackie Glover

From: Justin Mcdavitt [redacted]
Sent: Monday, October 22, 2018 7:26 PM
To: Jackie Glover [redacted]
Cc:
Subject: Re: Planning Commission Meeting 10.25.18

Jackie,

I am sorry for the late reply, but I wanted to ensure that I thoroughly researched all necessary information before formalizing my statement.

As much as I enjoy serving on the Oroville City Planning Commission, (and being provided the opportunity to serve the Oroville community) I will not be seeking to be reappointed.

Having moved out of the city limits, and understanding that it is required to be a resident within the city limits of Oroville, I felt it necessary to decline reappointment immediately so as to comply with all city requirements. If the regulations allowed for "Greater Oroville Area Residents" to serve I would happily continue the honor of serving the city as planning commissioner.

I look forward to the time when I will be able to once again represent/serve the community.

JS McDavitt

-----Original Message-----
From: Jackie Glover [redacted]
To: adonnabrand@gmail.com [redacted]; Bob Summerville [redacted]; Cecilia Carmona [redacted]; [redacted]; Damon Robison [redacted]; Gary D. Layman [redacted]; Jackie Glover [redacted]; Jodi Hunsperger [redacted]; Mike Britton [redacted]
Cc: Bill LaGrone [redacted]
Sent: Mon, Oct 22, 2018 04:00 PM
Subject: Planning Commission Meeting 10.25.18

Good Afternoon Commissioners,

Attached is the agenda and packet. Your binders will be ready tomorrow after 10am.

Thanks,

Jackie Glover

Assistant City Clerk

City of Oroville

1735 Montgomery Street

Oroville, CA 95965

P: 530-538-2535