



**DISCUSSION PURPOSES ONLY  
PROPOSAL  
AND  
TERM SHEET  
("PROPOSAL")**

**CREDIT FACILITY IN THE FORM OF AN UP TO**

**\$15,000,000 FEDERALLY TAXABLE DRAWDOWN LOAN  
(DIRECT PURCHASE TAX AND REVENUE ANTICIPATION NOTES ("TRAN")  
FINANCING PROPOSAL)**

*PROVIDED BY*  
**U.S. Bank N.A.**

*ISSUED ON BEHALF OF THE*

**CITY OF NAPA, CALIFORNIA**

*NOTE: The proposed terms and conditions outlined in this Summary of Terms and Conditions are provided for discussion purposes only and do not constitute an offer, agreement, or commitment to lend. This Summary of Terms and Conditions is intended as an outline only and does not purport to summarize all the terms, conditions, covenants, representations, warranties or other provisions which would be contained in definitive legal documentation of the financing transaction contemplated herein. The actual terms and conditions upon which the Lenders might extend credit to the Borrower are subject to further due diligence, formal credit approval, satisfactory review of documentation, and such other terms and conditions as may be determined by the Bank and its counsel.*

**Credit Facility  
Provider:**

U.S. Bank N.A. (USB)	
<b>JEFF KAJISA, VICE PRESIDENT AND PORTFOLIO MANAGER</b> Ph: (415) 244-6753 Email: <a href="mailto:jeffrey.kajisa@usbank.com">jeffrey.kajisa@usbank.com</a>	<b>DON RAUGHT, VICE PRESIDENT AND RELATIONSHIP MANAGER</b> Ph: (916) 531-3092 Email : <a href="mailto:donald.raught@usbank.com">donald.raught@usbank.com</a>
<b>SCOTT NAGELSON, MANAGING DIRECTOR MUNICIPAL PRODUCTS GROUP</b> Ph: (415) 677-3685 Email: <a href="mailto:scott.nagelson@usbank.com">scott.nagelson@usbank.com</a>	

<b>Bank:</b>	U.S. Bank N.A. (the “Bank”), a member of FDIC.
<b>Issuer:</b>	City of Napa, California (the “Issuer” or the “City”)
<b>Type of Credit Facility:</b>	A taxable, draw down loan up to \$15,000,000 under the Tax and Revenue Anticipation Note statute.
<b>Term:</b>	To mature 6/30/2021.
<b>Purpose:</b>	Backup up facility to cover cash flow mismatches.
<b>Security:</b>	Pledge of tax receipts and other general fund revenues collected in fiscal year 2020-21.
<b>Interest Rate:</b>	<b>Variable Rate:</b> 1-month LIBOR + 120 bps, with LIBOR floor of 25 bps. <b>Unused Fee:</b> 30 bps
<b>Maximum Interest:</b>	12%, subject to clawback.
<b>Repayment:</b>	Interest payable monthly, principal payment will be due no later than the maturity date of the facility. <ul style="list-style-type: none"><li>• On February 28, 2021 the Commitment Amount shall decrease to \$10 million.</li><li>• On April 30, 2021 the Commitment Amount shall decrease to \$5 million.</li><li>• Any undrawn Commitment Amount will terminated on May 31, 2021.</li></ul>
<b>Termination Fee:</b>	A make-whole termination provision based on the Unused Fee on the Unused Amount.

**Upfront Fees:** Payment of any legal fees incurred by the Bank, including the documentation of the facility. See below for details.

**Condition to Draws:** A draw certificate shall be submitted three business days preceding the date on which the City requests that the Draw be disbursed. The certificate shall be signed by an authorized signor confirming no events of default and all reps and warranties are in compliance. No City Council action shall be necessary to draw.

**Minimum draw Amount:** \$250,000.00

**Bank Counsel:**  
Nathan Odem  
Chapman and Cutler LLP  
111 West Monroe Street  
Chicago, Illinois 60603  
Tel: 312.845.3782  
Fax: 312.516-1982  
odem@chapman.com

**Legal Fees/Expenses:** Depending on final structure, estimated between \$20,000 and \$25,000, and capped at \$25,000 plus disbursements. Fees and expenses payable to Bank Counsel may be increased if the security and/or structure of the transaction changes materially, or if other complexities develop once documentation has commenced.

**Credit Approval:** The Bank has received preliminary credit approval based on these terms subject to final documentation and due diligence. The Bank will endeavor to provide formal credit approval within 15 business days after acceptance of this proposal by the City.

**Required prior to closing:** Normal and customary closing conditions for transactions of this nature including, but not limited to, the following: execution and delivery of the Agreement, which will be prepared by Bank Counsel. Documentation will include an appropriate authorizing resolution or ordinance, and Bond Counsel opinion that the Credit Note is a legal, valid binding, enforceable and properly authorized obligation of the City and that the fund assets have been properly pledged.

**Representations and Warranties:** Standard for facilities of this type, including but not limited to, the following: due authorization and organization; validity and enforceability of Financing Documents; accuracy of financial statements; security; compliance with laws; accuracy of disclosure; no litigation; no default; no violation of applicable usury restrictions; no margin stock; no proposed legal changes; environmental matters; status of trustee; no immunity with respect to contractual obligations under the Facility; and incorporation of representations and warranties from Financing Documents.

**Reporting Requirements:**

- Annual audited financial statements and budgets.
- Monthly Budget and Investment Report on or before the 20th calendar day of the following month.

**Covenants:**

Customary for transactions of this nature including, but not limited to, the following:

- Maintain minimum A- (or the equivalent) with respect to any long-term, unenhanced issuer credit rating, any long-term unenhanced rating of any general obligation of the City, any lease revenue or similar obligation (e.g., certificates of participation) of the City, any obligation secured by or payable from the general fund of the City, or any such rating on any similar obligation, in each case if such ratings are then maintained by any rating agency.
- Balance Covenant and Remedies:
  - Cash balance within the General Fund available to repay obligation under the credit facility shall be at least (A) \$10 million on December 31, 2020 and (B) \$10 million on April 30, 2021. December 31, 2021 is an “initial determination date”.

**Remedies**

- If the covenant above is not met on the initial determination date, City will immediately implement expenditure reductions within General Fund, Non-recurring General Fund, and Payroll Funds that it believes will be sufficient to meet the covenant on the 30<sup>th</sup> day after the initial determination date (the “second determination date”).
- If City fails to meet the covenant on the first determination date and on the second determination date, then it shall be an Event of Default.
- During the period between the initial determination date and the second determination date, the Unused Fee will not increase, and the Default Rate will not apply.
- If the City fails to meet the covenant on 4/30/21, then it shall be an Event of Default.
- The City staff will ask the City Council to approve the refinancing of a drawdown loan with a facility secured by fiscal year 2021-22 General Fund amounts in the event there is any amount outstanding on the maturity of the facility.

**Events of Default**

Those usual and customary for a transaction of this nature, including: payment default; breach of covenants; bankruptcy or insolvency; invalidity or misrepresentation; long-term debt rating below A3 / A- by any agency if rated; judgment affecting the general fund in excess of \$5MM that is not insured with coverage in writing.

**Remedies:**

Those customary for transactions of this nature including, but not limited to, the following: reduce the available commitment to zero, default rate detailed below, or payment acceleration.

<b>Default Rate:</b>	<p>Default Rate means the Base Rate plus 3.0% from and after the occurrence and during the continuance of an Event of Default for drawn amounts.</p> <p>From and after the occurrence of an Event of Default, interest on advances and other amounts due and owing under the Facility shall accrue daily on such amounts at the Default Rate and is payable on demand.</p> <p>Default shall be immediate for payment and other defaults, with a 30-day cure period for certain covenant defaults that are reasonably capable of being cured within 30 days.</p> <p>“Base Rate” means the higher of the overnight federal funds rate plus 3.0%, the Bank’s Prime Rate plus 1.5%, or 7.5%.</p>
<b>Increased Costs, Capital Adequacy and Taxes, Excess Interest:</b>	<p>The applicable Financing document shall also contain the Bank’s Capital Adequacy/Yield Protection Indemnity, withholding and tax indemnification; waiver of jury and submission to judicial reference; customary interest rate recapture (clawback) language; indemnification; redaction; jurisdiction/ venue; tax gross up provisions, assignment and participation; document imaging and electronic transactions; and the Bank’s other standard provisions customary for a Loan Facility of this nature.</p>
<b>Indemnification:</b>	<p>To the extent permitted by law, the City shall indemnify the Bank, including tax indemnity, for all circumstances except those caused by the gross negligence or willful misconduct of the Bank.</p>
<b>Jurisdiction and Venue:</b>	<p>To be mutually agreed.</p>
<b>OFAC:</b>	<p>The City shall provide documentary and other evidence as may be reasonably requested by the Bank at any time to enable the Bank to verify the City’s compliance with applicable law or regulation, including, without limitation, regulations of Office of Foreign Asset Control (OFAC).</p>
<b>Participation:</b>	<p>The Bank shall have the right to sell risk participations in the Credit Facility. However, the sale of such risk participations shall not limit the Bank’s obligation to make Loans under the Credit Facility.</p>
<b>No Advisory or Fiduciary Role:</b>	<p>The City acknowledges and agrees that: (i) the Bank has not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank or any of its affiliates has provided other services or is currently providing other services to the City on other matters); (ii) the only</p>

obligations the Bank has to the City with respect to the transaction contemplated hereby are expressly set forth in this term sheet; and (iii) the City has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

**NOTE:**

*As we obtain more information, additional substantive conditions will be required and terms may be changed or be supplemented. In addition, upon completion of our analysis and due diligence and if we obtain credit approval of this proposal, we will prepare loan documentation which will include terms and conditions customary to U.S. Bank, as well as warranties and covenants specific to this transaction.*

*To that end, this letter is an expression of interest only. Except with respect to your obligation to reimburse U.S. Bank for expenses as provided below and not to disclose the contents of this letter except as permitted below, this letter is not a contract, commitment nor intent to be bound, and U.S. Bank does not intend that this letter or discussions relative to the terms of this letter create any legal rights, implicit or explicit, in your favor, nor is it intended to create any obligations on the part of U.S. Bank. Also, no oral discussions and/or written agreements shall be in place of or supersede written loan agreements executed by your business and accepted by U.S. Bank.*

*Please note that this proposal is for your review only. You may not disclose this letter or any of the terms contained in this letter to any third party other than your attorney, accountant and authorized agents representing you.*