

**2018 WATER AND WASTEWATER REVENUE
CERTIFICATES OF PARTICIPATION
Evidencing the Direct, Undivided Fractional Interest of the
Owners Thereof in Installment Payments to be Made by
THE CITY OF CALISTOGA
(Bank Qualified)**

PURCHASE CONTRACT

_____, 2018

City of Calistoga
1232 Washington Street
Calistoga, California 94515

Calistoga Public Facilities Financing Corporation
1232 Washington Street
Calistoga, California 94515

Ladies and Gentlemen:

Hilltop Securities Inc. (the “Underwriter”), acting on behalf of itself and not as an agent or fiduciary for you, offers to enter into this Purchase Contract (the “Purchase Contract”) with the City of Calistoga (the “City”) and the Calistoga Public Facilities Financing Corporation (the “Corporation,” and together with the City, the “Issuer”), which Purchase Contract will be binding upon the Issuer and the Underwriter upon the acceptance hereof by the Issuer. This offer is made subject to its acceptance by the Issuer, by the execution of this Purchase Contract and its delivery to the Underwriter on or before 11:59 p.m., California time, on the date hereof. Capitalized terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Trust Agreement (as hereinafter defined) or Installment Sale agreement (as hereinafter defined), as applicable.

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase for offering to the public, and the Issuer hereby agrees to cause to be delivered to the Underwriter all (but not less than all) of the \$_____ aggregate principal amount of the City of Calistoga, 2018 Water and Wastewater Revenue Certificates of Participation (the “Certificates”), at the interest rates shown on Exhibit A hereto, which is incorporated herein by this reference, and subject to purchase and redemption as set forth in the Trust Agreement. The City has received a written commitment from _____ (the “Insurer”) to issue, upon fulfillment of certain conditions, a municipal bond insurance policy (the “Policy”) insuring the payment of principal and interest with respect to the Certificates maturing on _____ 1, 20__ through _____ 1, 20__, inclusive, and on _____ 1, 20__ (collectively, the “Insured Certificates”) as the same shall become due and a debt service reserve insurance policy (the “Reserve Policy”) for deposit into the Reserve Fund established under the Trust Agreement.

The aggregate purchase price for the Certificates shall be \$ _____ (representing the aggregate principal amount of the Certificates, [plus] [less] net original issue [premium] [discount] of \$ _____, less an underwriting discount of \$ _____).

2. Description and Purpose of the Certificates. The Certificates shall be issued pursuant to an Trust Agreement, dated as of _____ 1, 2018 (the “Trust Agreement”), by and among the City, the Corporation and MUFG Union Bank, N.A., as trustee (the “Trustee”). The Certificates evidence and represent proportionate interests in installment payments (the “Installment Payments”), which include principal and interest components, to be made by the City under an installment sale agreement, dated as of _____ 1, 2018 (the “Installment Sale Agreement”), by and between the City and the Corporation.

The Certificates are being issued to: (i) refinance certain of the City’s installment payment obligations with respect to its Wastewater System (all as further described and defined in the Trust Agreement), (ii) refinance certain of the City’s installment payment obligations with respect to its Water System (all as further described and defined in the Trust Agreement), and (iii) pay costs of issuing the Certificates, including premiums for the Policy and Reserve Policy.

3. Public Offering.

(a) The Underwriter agrees to make an initial bona fide public offering of all the Certificates at a price of 100% of the principal amount thereof. Subsequent to the initial public offering, the Underwriter reserves the right to change such initial offering price or prices as the Underwriter shall deem necessary in connection with the marketing of the Certificates and to offer and sell the Certificates to certain dealers (including dealers depositing the Certificates into investment trusts) and others at prices lower than the initial offering price or prices set forth in the hereinafter referred to Official Statement. The Underwriter also reserves the right (i) to engage in transactions that stabilize, maintain or otherwise affect the market price of the Certificates at a level above that which might otherwise prevail in the open market and (ii) to discontinue such transactions, if commenced, at any time.

(b) The Underwriter agrees to assist the City in establishing the issue price of the Certificates and shall execute and deliver to the City at Closing (as defined below) an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the City and Special Counsel (as defined below), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Certificates. All actions to be taken by the Issuer under this section to establish the issue price of the Certificates may be taken on behalf of the Issuer by the municipal advisor, Urban Futures, Inc. (the “Municipal Advisor”) and any notice or report to be provided to the Issuer may be provided to the Municipal Advisor.

(c) The Issuer will treat the first price at which 10% of each maturity of the Certificates (the “10% test”), identified under the column “10% Test Used” in Exhibit A, is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of this Purchase Contract, the Underwriter shall report to the Issuer the price or prices at which it has sold to the public each maturity of Certificates. If

at that time the 10% test has not been satisfied as to any maturity of the Certificates, the Underwriter agrees to promptly report to the Issuer the prices at which it sells the unsold Certificates of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date (as defined below) has occurred, until the 10% test has been satisfied as to the Certificates of that maturity or until all Certificates of that maturity have been sold to the public.

(d) The Underwriter acknowledges that sales of any Certificates 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 Certificates 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 Certificates to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the public);

(iii) a purchaser of any of the Certificates is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 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 Purchase Contract by all parties.

4. Delivery of Official Statement. Pursuant to the authorization of the City, the Underwriter has distributed copies of the Preliminary Official Statement, dated _____, 2018, relating to the Certificates, which, together with the cover page and appendices thereto, is herein called the “Preliminary Official Statement.” By its acceptance of this proposal, the Issuer hereby approves and ratifies the distribution and use by the Underwriter of the Preliminary Official Statement. The City has previously deemed the Preliminary Official Statement to be final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“Rule 15c2-12”), except for information permitted to be omitted therefrom by Rule 15c2-12, and has executed a certificate to that effect in the form attached as Exhibit C.

The City agrees to execute and deliver a final Official Statement (the “Official Statement”) in substantially the same form as the Preliminary Official Statement with such changes as may be made thereto, with the consent of the City and the Underwriter, and to provide copies thereof to the

Underwriter as set forth in Section 6(n) hereof. The City hereby authorizes the Underwriter to use and distribute, in connection with the offer and sale of the Certificates: the Preliminary Official Statement, the Official Statement, the Trust Agreement and other documents or contracts to which the City is a party in connection with the transactions contemplated by this Purchase Contract, including this Purchase Contract and all information contained herein, and all other documents, certificates and statements furnished by the Issuer to the Underwriter in connection with the transactions contemplated by this Purchase Contract.

5. The Closing. At 8:00 a.m., California time, on _____, 2018 or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the City and the Underwriter, the City will cause to be executed and delivered: (i) the Certificates in book-entry form through the facilities of The Depository Trust Company, or its agent, on behalf of the Underwriter, (ii) the closing documents hereinafter mentioned, at the offices of Jones Hall, A Professional Law Corporation (“Special Counsel”), in San Francisco, California or another place to be mutually agreed upon by the City and the Underwriter. The Underwriter will accept such delivery of the Certificates and pay the purchase price of such Certificates set forth in Section 1 hereof in immediately available funds to the order of the Issuer, less \$ _____ with respect to the premium for the Policy and \$ _____ with respect to the premium for the Reserve Policy, which amounts shall be wired by the Underwriter directly to the Insurer on behalf of the City. This payment for and delivery of the Certificates, together with the execution and delivery of the aforementioned documents is herein called the “Closing.”

6. The City’s Representations, Warranties and Covenants. The City represents, warrants and covenants to the Underwriter that:

(a) Due Organization, Existence and Corporation. The City is a municipal corporation duly organized and existing under the Constitution and laws of the State of California (the “State”), with full right, power and authority to execute, deliver and perform its obligations under this Purchase Contract, the Trust Agreement, the Installment Sale Agreement, the Escrow Agreement and the Continuing Disclosure Certificate (collectively, the “City Documents”) and to carry out and consummate the transactions contemplated by the City Documents and the Official Statement.

(b) Due Authorization and Approval. By all necessary official action of the City, the City has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations contained or described in, the Preliminary Official Statement, the Official Statement and the City Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, each City Document will constitute the legally valid and binding obligation of the City enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or similar laws or equitable principles relating to or affecting creditors’ rights generally or by the exercise of judicial discretion in appropriate cases or by limitations on legal remedies against public agencies in the State.

(c) Official Statement Accurate and Complete. The Preliminary Official Statement was as of its date, and the Official Statement is, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement contain no misstatement of any material fact and do not omit any statement necessary to make the

statements contained therein, in the light of the circumstances in which such statements were made, not misleading (except no representation is made with respect to information relating to DTC or DTC's book-entry system or the Insurer, the Policy or the Reserve Policy).

(d) Underwriter's Consent to Amendments and Supplements to Official Statement. The City will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The City will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Certificates.

(e) City Agreement to Amend or Supplement Official Statement. If after the date of this Purchase Contract and until 25 days after the end of the "underwriting period" (as defined in Rule 15c2-12), any event occurs as a result of which the Official Statement as then amended or supplemented would include an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, and, in the reasonable opinion of the Underwriter, an amended or supplemented Official Statement should be delivered in connection with the offers or sales of the Certificates to reflect such event, the City promptly will prepare at its expense an amendment or supplement which will correct such statement or omission and the City shall promptly furnish to the Underwriter a reasonable number of copies of such amendment or supplement. The Underwriter hereby agrees to deposit the Official Statement with the Municipal Securities Rulemaking Board. The Underwriter acknowledges that the end of the "underwriting period" will be the date of Closing.

(f) No Material Change in Finances. Except as otherwise described in the Official Statement, there shall not have been any material adverse changes in the financial condition of either the Water System or the Wastewater System since June 30, 2017.

(g) No Breach or Default. As of the time of acceptance hereof, (A) the City is not in default, nor has it been in default, as to principal or interest with respect to an obligation issued by the City, and (B) the City is not, in any manner which would materially adversely affect the transactions contemplated by the City Documents, in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the City is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute, in any manner which would materially adversely affect the transactions contemplated by the City Documents, a default or event of default under any such instrument; and, as of such time, the authorization, execution and delivery of the City Documents and compliance with the provisions of each of such agreements or instruments do not in any manner which would materially adversely affect the transactions contemplated by the City Documents, conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State or the United States, or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the City (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance

result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the City Documents.

(h) No Litigation. As of the time of acceptance hereof, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, is pending or, to the best knowledge of the City after due investigation, threatened (A) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (B) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Certificates, or in any way contesting or affecting the validity of the Certificates or the City Documents or the consummation of the transactions contemplated thereby, or contesting the exclusion of interest on the Certificates from gross income for federal income tax purposes or contesting the powers of the City to enter into the City Documents; (C) which, except as described in the Official Statement, may result in any material adverse change to the financial condition of either the Water System or the Wastewater System or to the sufficiency of Net Revenues to pay the principal of and interest on the Certificates when due; or (D) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (A) through (D) of this sentence.

(i) No Prior Liens on Net Revenues. Except as otherwise described in the Official Statement, the City does not and will not have outstanding any indebtedness which indebtedness is secured by a lien on the Net Revenues superior to or equal to the lien of the Certificates on the Net Revenues.

(j) Further Cooperation: Blue Sky. The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (A) to qualify the Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (B) to determine the eligibility of the Certificates for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Certificates; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(k) Consents and Approvals. All authorizations, approvals, licenses, permits, consents and orders of or filings with any governmental authority, legislative body, board, agency or commission having jurisdiction in the matters which are required for the due authorization of, which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the City of its obligations in connection with the City Documents have been duly obtained or made, except as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Certificates.

(l) No Other Obligations. Between the date of this Purchase Contract and the date of Closing, the City will not, without the prior written consent of the Underwriter, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, directly or contingently payable from the Net Revenues.

(m) Certificates. Any certificate signed by any official of the City and delivered to the Underwriter shall be deemed to be a representation and warranty by the City to the Underwriter as to the statements made therein.

(n) Provision of Official Statement. The City hereby covenants and agrees that no later than the date of Closing, the City shall cause final printed copies of the Official Statement to be delivered to the Underwriter in such number of copies as shall reasonably be requested by the Underwriter.

(o) Continuing Disclosure. Except as disclosed in the Preliminary Official Statement, for the previous five years, the City has been and the City is currently in compliance with all continuing disclosure undertakings that it has entered into pursuant to Rule 15c2-12 in all material respects.

7. Closing Conditions. The Underwriter has entered into this Purchase Contract in reliance upon the representations, warranties and covenants herein and the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of the Closing. The Underwriter's obligations under this Purchase Contract to purchase and pay for the Certificates shall be subject to the following additional conditions:

(a) Bring-Down Representation. The representations, warranties and covenants of the City contained herein, shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(i) Executed Agreements and Performance Thereunder. At the time of the Closing (i) the City Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter, (ii) there shall be in full force and effect such resolutions (the "Resolutions") as, in the opinion of Special Counsel, shall be necessary in connection with the transactions contemplated by the Official Statement and the City Documents, (iii) the City shall perform or have performed its obligations required or specified in the City Documents to be performed at or prior to Closing, and (iv) the Official Statement shall not have been supplemented or amended, except pursuant to Paragraphs 6(d) and 6(e) hereof or as otherwise may have been agreed to in writing by the Underwriter.

(ii) No Default. At the time of the Closing, no default, or any event that with the passage of time would be reasonably likely to result in default, shall have occurred or be existing under the Resolutions, the City Documents, or any other agreement or document pursuant to which any of the City's financial obligations was issued and the City shall not be in default in the payment of principal or interest on any of its financial obligations which default would materially adversely impact the ability of the City to pay the principal of and interest on the Certificates.

(b) Termination Events. The Underwriter shall have the right to terminate this Purchase Contract, without liability therefor, by written notification to the City if at any time at or prior to the Closing:

(i) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(ii) the marketability of the Certificates or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by 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 Purchase Contract in the Congress of the United States, or the recommendation to 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 consideration as an option by 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) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the City, or the status of the interest on bonds or notes or obligations of the general character of the Certificates; or

(iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Certificates; or

(iv) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the execution, delivery, offering or sale of obligations of the general character of the Certificates, or the execution, delivery, offering or sale of the Certificates, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Certificates, or the Certificates, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect,

or that the Trust Agreement needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(v) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the Underwriter's ability to trade the Certificates; or

(vi) a general banking moratorium shall have been established by federal or state authorities or any material disruption in commercial banking or securities settlement or clearance services, including, but not limited to, those of DTC, shall have occurred; or

(vii) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak or escalation of hostilities or a national or international calamity or crises, financial or otherwise, including but not limited to, bombings or terrorism (whether alleged or proven) relating to the effective operation of government or financial community, the effect of such outbreak, calamity or crisis on the financial markets of the United States, being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market or deliver the Certificates; or

(viii) any rating of the securities of the City reflecting the creditworthiness of the City shall have been downgraded, suspended, withdrawn or have had any action taken with respect thereto by a national rating service, which, in the Underwriter's reasonable opinion, materially adversely affects the marketability or market price of the Certificates; or

(ix) the commencement of any action, suit or proceeding described in Paragraph 6(h) hereof which, in the reasonable judgment of the Underwriter, materially adversely affects the market price of the Certificates; or

(x) there shall be in force a general suspension of trading on the New York Stock Exchange.

(c) Closing Documents. At or prior to the Closing, the Underwriter shall receive with respect to the Certificates the following documents:

(i) Approving Opinion. An approving opinion of Special Counsel dated the date of the Closing and substantially in the form included as Appendix D to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Underwriter, to the effect that the foregoing opinion addressed to the City may be relied upon by the Underwriter to the same extent as if such opinion were addressed to it.

(ii) Supplemental Opinion. A supplemental opinion or opinions of Special Counsel addressed to the Underwriter, in form and substance acceptable to the Underwriter, and dated the date of the Closing substantially to the following effect:

(A) The Purchase Contract has been duly authorized, executed and delivered by the City and the Corporation, and is a valid and binding agreement of the City and the Corporation enforceable in accordance with its terms, except that the rights and obligations under the Purchase Contract are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State;

(B) The statements contained in the Official Statement on the cover page (excluding statements with respect to the Insurer, the Policy and the Reserve Policy) and under the captions "INTRODUCTION," "THE CERTIFICATES," "SECURITY FOR THE CERTIFICATES," and "TAX MATTERS" and in Appendix C and Appendix D thereto, insofar as such statements purport to summarize certain provisions of the Certificates, the Trust Agreement, State law and Special Counsel's opinions concerning certain federal and State tax matters relating to the Certificates, are accurate in all material respects as of the date of the Official Statement and as of the date of Closing; and

(iii) City Attorney Opinion. An opinion of the City Attorney, dated the date of the Closing and addressed to the Underwriter, in form and substance acceptable to the Underwriter substantially to the following effect:

(A) The City is a municipal corporation duly organized and validly existing under the constitution and the laws of the State;

(B) The City Documents have been duly authorized, executed and delivered by the City, and the City has full right, power and authority to carry out and consummate all transactions contemplated by the City Documents as of the date of the Official Statement and as of the date of Closing;

(C) The resolution of the City approving and authorizing the execution and delivery of the City Documents, and approving the Official Statement (the "City Resolution"), has been duly adopted at a meeting of the governing body of the City, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the City Resolution is in full force and effect and has not been modified, amended or rescinded;

(D) The execution and delivery of the City Documents and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not, in any respect which will have a material adverse impact on the transactions contemplated by the City Documents conflict with, or constitute, or with the giving of notice or the passage of time would constitute, on the part of the City a breach of or default under, any material agreement or other instrument to which the City is a party or by which it is bound (and based in part on a factual certificate of the City) or any existing

law, administrative rule, regulation, order, decree, judgment, license or permit to which the City is subject (excluding, however, any opinion as to compliance with any applicable federal securities laws); or by which the City or any of its property is bound;

(E) The Official Statement has been prepared by, or on behalf of, the City under the supervision of the City's _____, and executed on its behalf by authorized officers of the City;

(F) No additional authorization, approval, consent, waiver or any other action by any person, board or body, public or private, not previously obtained is required as of the date of the Closing for the City to enter into the City Documents or to perform its obligations thereunder; and

(G) No litigation, proceeding, action, suit, or investigation (or any basis therefor) at law or in equity before or by any court, governmental agency or body, pending or threatened, against the City challenging the creation, organization or existence of the City, or the validity of the City Documents or seeking to restrain or enjoin the Certificates or in any way contesting or affecting the validity of the City Documents or any of the transactions referred to therein or contemplated thereby or contesting the authority of the City to enter into or perform its obligations under any of the City Documents, or under which a determination adverse to the City would have a material adverse effect upon the financial condition of either the Water System or the Wastewater System, or which, in any manner, questions or affects the right or ability of the City to enter into the City Documents or affects in any manner the right or ability of the City to use the Net Revenues for repayment of the Certificates or in any manner the right or ability of the City to collect or pledge the Net Revenues.

(iv) Corporation Counsel Opinion. An opinion of the City Attorney, as general counsel to the Corporation, dated the date of the Closing and addressed to the Underwriter, in form and substance acceptable to the Underwriter substantially to the following effect:

(A) The Corporation is a nonprofit public benefit corporation duly organized and validly existing under the constitution and the laws of the State;

(B) The Trust Agreement has been duly authorized, executed and delivered by the Corporation, and the Corporation has full right, power and authority to carry out and consummate all transactions contemplated by the Trust Agreement as of the date of the Official Statement and as of the date of Closing;

(C) The Installment Sale Agreement has been duly authorized, executed and delivered by the Corporation, and the Corporation has full right, power and authority to carry out and consummate all transactions contemplated by the Installment Sale Agreement as of the date of the Official Statement and as of the date of Closing;

(D) The resolution of the Corporation approving and authorizing the execution and delivery of the Trust Agreement and the Installment Sale Agreement, and approving the Official Statement and this Purchase Contract (the “Corporation Resolution”), has been duly adopted at a meeting of the governing body of the Corporation, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the Corporation Resolution is in full force and effect and has not been modified, amended or rescinded;

(E) The execution and delivery of the this Purchase Contract, the Trust Agreement and the Installment Sale Agreement (collectively, the “Corporation Documents”) and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not, in any respect which will have a material adverse impact on the transactions contemplated by the Corporation Documents conflict with, or constitute, or with the giving of notice or the passage of time would constitute, on the part of the Corporation a breach of or default under, any material agreement or other instrument to which the Corporation is a party or by which it is bound (and based in part on a factual certificate of the Corporation) or any existing law, administrative rule, regulation, order, decree, judgment, license or permit to which the Corporation is subject (excluding, however, any opinion as to compliance with any applicable federal securities laws); or by which the Corporation or any of its property is bound;

(F) No additional authorization, approval, consent, waiver or any other action by any person, board or body, public or private, not previously obtained is required as of the date of the Closing for the Corporation to enter into the Corporation Documents or to perform its obligations thereunder; and

(G) No litigation, proceeding, action, suit, or investigation (or any basis therefor) at law or in equity before or by any court, governmental agency or body, pending or threatened, against the Corporation challenging the creation, organization or existence of the Corporation, or the validity of the Corporation Documents or seeking to restrain or enjoin the Certificates or in any way contesting or affecting the validity of the Corporation Documents or any of the transactions referred to therein or contemplated thereby or contesting the authority of the Corporation to enter into or perform its obligations under the Corporation Documents, or which, in any manner, questions or affects the right or ability of the Corporation to enter into the Corporation Documents.

(v) Trustee Counsel Opinion. The opinion or opinions of counsel to the Trustee, dated the date of the Closing, addressed to the Underwriter, to the effect that:

(A) The Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America, having full corporate power to undertake the trust created under the Trust Agreement;

(B) The Trust Agreement and the Escrow Agreement have been duly authorized, executed and delivered by the Trustee and, assuming due

authorization, execution and delivery by the other parties thereto, the Trust Agreement and the Escrow Agreement constitute the valid and binding obligation of the Trustee enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought;

(C) The Trustee has duly executed and delivered the Certificates upon the order of the City;

(D) The Trustee's actions in executing and delivering the Trust Agreement and the Escrow Agreement are in full compliance with, and do not conflict with any applicable law or governmental regulation and, to the best of such counsel's knowledge, after reasonable inquiry with respect thereto, do not conflict with or violate any contract to which the Trustee is a party or any administrative or judicial decision by which the Trustee is bound; and

(E) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee that has not been obtained is or will be required for the execution and delivery of the Certificates or the consummation by the Trustee of its obligations under the Trust Agreement and the Escrow Agreement.

(vi) Underwriter's Counsel Opinion. An opinion of The Weist Law Firm, Los Gatos, California, counsel to the Underwriter ("Underwriter's Counsel"), dated the date of Closing and addressed to the Underwriter in form and substance acceptable to the Underwriter.

(vii) City Certificate. A certificate of the City, dated the date of the Closing, signed on behalf of the City by the City Manager or other duly authorized officer of the City to the effect that:

(A) The representations, warranties and covenants of the City contained in this Purchase Contract are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the City has complied with all of the terms and conditions of the Purchase Contract required to be complied with by the City at or prior to the date of the closing;

(B) No event affecting the City has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except no representation is made with respect to information relating to DTC or DTC's book-entry system or the Insurer, the Policy or the Reserve Policy); and

(C) No event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute an event of default under the City Documents.

(viii) Trustee's Certificate(s). A certificate or certificates, dated the date of Closing, signed by a duly authorized official of the Trustee satisfactory in form and substance to the Underwriter, to the effect that:

(A) The Trustee is duly organized and existing as a national banking association under the laws of the United States of America, having the full corporate power and authority to enter into and perform its duties under the Trust Agreement;

(B) The Trustee is duly authorized to enter into the Trust Agreement and the Escrow Agreement and has duly executed and delivered the Trust Agreement and the Escrow Agreement, and assuming due authorization and execution by the other parties thereto, the Trust Agreement and the Escrow Agreement are legal, valid and binding upon the Trustee, and enforceable against the Trustee in accordance with their terms;

(C) The Trustee has duly authenticated the Certificates under the Trust Agreement and delivered the Certificates to or upon the order of the Underwriter; and

(D) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the banking or trust powers of the Trustee that has not been obtained is or will be required for the issuance of the Certificates or the consummation by the Trustee of its obligations under the Trust Agreement and the Escrow Agreement.

(ix) Disclosure Counsel Opinion. A letter of Jones Hall, A Professional Law Corporation, as disclosure counsel to the City ("Disclosure Counsel"), addressed to the Underwriter and the City, to the effect that nothing has come to such counsel's attention that would lead them to believe that the Official Statement, as of its date and as of the Closing (but excluding therefrom the appendices thereto, financial statements and statistical data, and information regarding The Depository Trust Company and its book-entry system, and information regarding the Insurer, the Policy and the Reserve Policy, as to which no opinion need be expressed), contains an 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.

(x) Defeasance Opinion. An opinion of Special Counsel addressed to the City and the Underwriter to the effect that (i) the Escrow Agreement has been duly authorized by the City and is a valid and binding obligation of the City; and (ii) the Prior Bonds (as defined in the Escrow Agreement) are no longer outstanding under the trust agreements pursuant to which they were issued.

(xi) Transcripts. Two transcripts of all proceedings relating to the authorization and issuance of the Certificates.

(xii) Official Statement. The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the City by duly authorized officers of the City.

(xiii) City Documents. An original executed copy of each of the City Documents.

(xiv) Escrow Agreement. An original executed copy of the Escrow Agreement.

(xv) City Resolution. Two certified copies of the City Resolution approving the City Documents, certified by the City Clerk.

(xvi) Corporation Resolution. Two certified copies of the resolution of the Corporation approving the Corporation Documents.

(xvii) Trustee Resolution. Two certified copies of the general resolution of MUFG Union Bank, N.A. authorizing the execution and delivery of certain documents by certain officers and employees of MUFG Union Bank, N.A., which resolution authorizes the execution and delivery of the Trust Agreement and the Escrow Agreement.

(xviii) 8038-G. Evidence that the federal tax information form 8038-G has been prepared for filing.

(xix) Tax Certificate. A tax certificate in form satisfactory to Special Counsel.

(xx) CDIAC Statements. A copy of the Notices of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Sections 8855(g) and 53583 of the California Government Code.

(xxi) Ratings. Evidence from S&P Global Ratings, a Standard & Poor's Financial Services LLC business, that the Certificates have been assigned an underlying rating of “__” and that the Insured Certificates have been assigned an insured rating of “__.”

(xxii) Insurance. The Policy, the Reserve Policy, a Rule 10b-5 certificate and a Rule 15c2-12 certificate of the Insurer, and an opinion of counsel to the Insurer addressed to the City and the Underwriter in form and substance acceptable to Special Counsel and to counsel to the Underwriter.

(xxiii) 15c2-12 Certificate. In connection with printing and distribution of the Preliminary Official Statement, an executed certificate of the City in the form attached hereto as Exhibit C.

(xxiv) Additional Documents. Such additional certificates, instruments and other documents as the Underwriter may reasonably deem necessary.

If the City shall be unable to satisfy the conditions contained in this Purchase Contract, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the City shall be under further obligation hereunder, except as further set forth in Section 8 hereof.

8. Expenses. The Underwriter shall be under no obligation to pay and the City shall pay or cause to be paid the expenses incident to the performance of the obligations of the City hereunder including but not limited to (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the City Documents and the cost of preparing, printing, issuing, and delivering the Certificates, (b) the fees and disbursements of any counsel, financial advisors, accountants, or other experts or consultants retained by the City; (c) the fees and disbursements of Special Counsel and Counsel of the City; (d) the cost of printing the Official Statement and any supplements and amendments thereto, including the requisite number of copies thereof for distribution by the Underwriter; (e) charges of rating agencies for any rating with respect to the Certificates; (f) expenses (included in the expense component of the Underwriter's spread) incurred on behalf of the City's officers or employees which are incidental to implementing this Purchase Contract, including, but not limited to, meals, transportation, lodging, and entertainment of those officers or employees; (g) CUSIP Service Bureau fees and charges; and (h) Trustee and Escrow Agent's fees.

The Underwriter shall pay and the City shall be under no obligation to pay all expenses incurred by it in connection with the public offering and distribution of the Certificates, including any advertising expenses, and the Underwriter shall pay any costs and expenses incurred in connection with the preparation and distribution of any blue sky surveys or any legal investment memoranda and the costs and fees of counsel to the Underwriter.

9. Notice. Any notice or other communication to be given to the City under this Purchase Contract may be given by delivering the same in writing to City of Calistoga, 1232 Washington Street, Calistoga, California 94515, Attention: City Manager.

Any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to Hilltop Securities Inc., 2533 South Coast Hwy 101, Suite 250, Cardiff, California 92007, Attention: Todd Smith.

10. Entire Agreement. This Purchase Contract, when accepted by the City shall constitute the entire agreement among the City and the Underwriter with respect to the subject matter hereof and is made solely for the benefit of the City, and the Underwriter (including the successors of the Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein.

11. No Advisory or Fiduciary Role. The City acknowledges and agrees that: (a) the purchase and sale of the Certificates pursuant to this Purchase Contract is an arm's-length commercial transaction between the City and the Underwriter; (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent, advisor or fiduciary of the City; (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City with

respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the City on other matters) and the Underwriter has no obligation to the City with respect to the offering contemplated hereby except the obligations expressly set forth in this Purchase Contract; (d) the Underwriter is not acting as municipal advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended); and (e) the City has consulted its own legal, financial and other advisors to the extent they deemed appropriate in connection with the offering of the Certificates.

12. Benefit. This Purchase Contract is made solely for the benefit of the City, the Corporation and the Underwriter (including the successors thereof) and no other person, partnership or association, shall acquire or have any right hereunder or by virtue hereof. All representations and agreements by the City and the Corporation in this Purchase Contract shall remain operative and in full force and effect except as otherwise provided herein, regardless of any investigations made by or on behalf of the Underwriter and shall survive the delivery of and payment of the Certificates.

13. Counterparts. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

14. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

15. State Law Governs. THE VALIDITY, INTERPRETATION AND PERFORMANCE OF THIS PURCHASE CONTRACT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

16. No Assignment. The rights and obligations created by this Purchase Contract shall not be subject to assignment by the Underwriter or the City without the prior written consent of the other parties hereto.

HILLTOP SECURITIES INC.

By: _____
Authorized Officer

Accepted as of _____ p.m.:

CITY OF CALISTOGA

By: _____
City Manager

EXHIBIT A

MATURITY SCHEDULE

**2018 WATER AND WASTEWATER REVENUE
CERTIFICATES OF PARTICIPATION
Evidencing the Direct, Undivided Fractional Interest of the
Owners Thereof in Installment Payments to be Made by
THE CITY OF CALISTOGA
(Bank Qualified)**

MATURITY SCHEDULE

<i>Maturity Date (October 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Initial Offering Price</i>	<i>10% Test Used</i>	<i>Hold the Offering Price Rule Used</i>
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* Term Certificates.

^C Priced to the first optional redemption date of _____ 1, 20 __, at par.

[^] Insured Certificates.

Optional Redemption.

To be determined

Mandatory Sinking Fund Redemption.

To be determined

EXHIBIT B

**2018 WATER AND WASTEWATER REVENUE
CERTIFICATES OF PARTICIPATION
Evidencing the Direct, Undivided Fractional Interest of the
Owners Thereof in Installment Payments to be Made by
THE CITY OF CALISTOGA
(BANK QUALIFIED)**

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Hilltop Securities Inc. (“Hilltop”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned certificates (the “Certificates”).

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. ***Defined Terms.***

(a) *General Rule Maturities* means those Maturities of the Certificates listed in Schedule A hereto as the “General Rule Maturities.”

(b) *Issuer* means the City of Calistoga.

(c) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) *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.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates 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 Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Hilltop’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by Jones Hall, A Professional Law Corporation, in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-

G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

HILLTOP SECURITIES INC.

By: _____

Name: _____

Dated: _____, 2018

SCHEDULE A

SALE PRICES OF THE GENERAL RULE MATURITIES

(Attached)

EXHIBIT C

§ _____ *

**2018 WATER AND WASTEWATER REVENUE
CERTIFICATES OF PARTICIPATION
Evidencing the Direct, Undivided Fractional Interest of the
Owners Thereof in Installment Payments to be Made by
THE CITY OF CALISTOGA
(Bank Qualified)**

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents to Hilltop Securities Inc. (the “Underwriter”) that the undersigned is a duly appointed and acting officer of the City of Calistoga (the “City”) authorized to execute this Certificate, and further hereby certifies and confirms on behalf of the City to the Underwriter as follows:

(1) This Certificate is delivered to enable the Underwriter to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 (the “Rule”) in connection with the offering and sale of the City’s 2018 Water and Wastewater Revenue Certificates of Participation (the “Certificates”).

(2) In connection with the offering and sale of the Certificates, there has been prepared a Preliminary Official Statement, dated _____, 2018, setting forth information concerning the Certificates, the City’s water and wastewater systems and the City, as issuer of the Certificates (the “Preliminary Official Statement”).

(3) As used herein, “Permitted Omissions” shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Certificates depending on such matters and the identity of the underwriter(s), all with respect to the Certificates.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of the Rule and has been, and the information therein is accurate and complete in all material respects except for the Permitted Omissions.

IN WITNESS WHEREOF, I have hereunto set my hand as of the ___th day of _____, 2018.

CITY OF CALISTOGA

By _____
City Manager

* Preliminary, subject to change.