

1068 SECTION 11.03. Execution of Documents by Owners. Any declaration,  
1069 request or other instrument which is permitted or required herein to be executed by Owners may  
1070 be in one or more instruments of similar tenor and may be executed by Owners in person or by  
1071 their attorneys appointed in writing. The fact and date of the execution by any Owner or his  
1072 attorney of any declaration, request or other instrument or of any writing appointing such  
1073 attorney may be proved by the certificate of any notary public or other officer authorized to take  
1074 acknowledgments of deeds to be recorded in the state or territory in which he purports to act that  
1075 the person signing such declaration, request or other instrument or writing acknowledged to him  
1076 the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such  
1077 notary public or other officer, or by such other proof as the Trustee may accept which it may  
1078 deem sufficient.

1079 The ownership of any Certificates and the amount, payment date, number and  
1080 date of owning the same may be proved by the books required to be kept by the Trustee pursuant  
1081 to the provisions of Section 2.07.

1082 Any declaration, request or other instrument in writing of the Owner of any  
1083 Certificate shall bind all future Owners of such Certificate with respect to anything done or  
1084 suffered to be done by the Corporation or the City or the Trustee in good faith and in accordance  
1085 therewith.

1086 SECTION 11.04. Waiver of Personal Liability. No member of the City  
1087 Council, officer or employee of the City shall be individually or personally liable for the  
1088 payment of the interest or principal represented by the Certificates, but nothing contained herein  
1089 shall relieve any member of the City Council, officer or employee of the City from the  
1090 performance of any official duty provided by any applicable provisions of law or by the  
1091 Installment Purchase Agreement or hereby.

1092 SECTION 11.05. Acquisition of Certificates by City. All Certificates  
1093 acquired by the City, whether by purchase or gift or otherwise, shall be surrendered to the  
1094 Trustee for cancellation.

1095 SECTION 11.06. Content of Certificates. Every Certificate of the City or of  
1096 the Corporation with respect to compliance with any agreement, condition, covenant or term  
1097 contained herein shall include (a) a statement that the person or persons making or giving such  
1098 certificate have read such agreement, condition, covenant or term and the definitions herein  
1099 relating thereto; (b) a brief statement as to the nature and scope of the examination or  
1100 investigation upon which the statements contained in such certificate are based; (c) a statement  
1101 that, in the opinion of the signers, they have made or caused to be made such examination or  
1102 investigation as is necessary to enable them to express an informed opinion as to whether or not  
1103 such agreement, condition, covenant or term has been complied with; and (d) a statement as to  
1104 whether, in the opinion of the signers, such agreement, condition, covenant or term has been  
1105 complied with.

1106 Any Certificate of the City or of the Corporation may be based, insofar as it  
1107 relates to legal matters, upon an Opinion of Counsel unless the person making or giving such  
1108 certificate knows that the Opinion of Counsel with respect to the matters upon which his

1109 certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should  
1110 have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it  
1111 relates to factual matters, information with respect to which is in the possession of the City or the  
1112 Corporation, upon a representation by an officer or officers of the City or the Corporation, as the  
1113 case may be, unless the counsel executing such Opinion of Counsel knows that the  
1114 representation with respect to the matters upon which his opinion may be based, as aforesaid, is  
1115 erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

1116 SECTION 11.07. Funds. Any fund required to be established and maintained  
1117 herein by the Trustee may be established and maintained in the accounting records of the Trustee  
1118 either as an account or a fund, and may, for the purposes of such accounting records, any audits  
1119 thereof and any reports or statements with respect thereto, be treated either as an account or a  
1120 fund; but all such records with respect to all such funds shall at all times be maintained in  
1121 accordance with current industry standards and with due regard for the protection of the security  
1122 of the Certificates and the rights of the Owners.

1123 The Trustee may commingle any of the moneys held by it hereunder for  
1124 investment purposes only; provided, however, that the Trustee shall account separately for the  
1125 moneys in each fund or account established pursuant to this Trust Agreement or the Installment  
1126 Purchase Agreement.

1127 SECTION 11.08. Article and Section Headings, Gender and References. The  
1128 headings or titles of the several Articles and Sections hereof and the table of contents appended  
1129 hereto shall be solely for convenience of reference and shall not affect the meaning, construction  
1130 or effect hereof, and words of any gender shall be deemed and construed to include all genders.  
1131 All references herein to "Articles," "Sections" and other subdivisions or clauses are to the  
1132 corresponding Articles, Sections, subdivisions or clauses hereof; and the words "hereby,"  
1133 "herein," "hereof," "hereto," "herewith," "hereunder" and other words of similar import refer to  
1134 this Trust Agreement as a whole and not to any particular Article, Section, subdivision or clause  
1135 thereof.

1136 SECTION 11.09. Partial Invalidity. If any one or more of the agreements,  
1137 conditions, covenants or terms required herein to be observed or performed by or on the part of  
1138 the Corporation, the City or the Trustee shall be contrary to law, then such agreement or  
1139 agreements, such condition or conditions, such covenant or covenants or such term or terms shall  
1140 be null and void and shall be deemed separable from the remaining agreements, conditions,  
1141 covenants and terms hereof and shall in no way affect the validity hereof or of the Certificates,  
1142 and the Owners shall retain all the benefit, protection and security afforded to them under any  
1143 applicable provisions of law. The Corporation, the City and the Trustee hereby declare that they  
1144 would have executed this Trust Agreement, and each and every other Article, Section, paragraph,  
1145 subdivision, sentence, clause and phrase hereof and would have authorized the execution and  
1146 delivery of the Certificates pursuant hereto irrespective of the fact that any one or more Articles,  
1147 Sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof  
1148 to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

1149 SECTION 11.10. California Law. This Trust Agreement shall be construed  
1150 and governed in accordance with the laws of the State of California.

1151 SECTION 11.11. Notices. All written notices to be given hereunder shall be  
1152 given by mail to the party entitled thereto at its address set forth below, or at such other address  
1153 as such party may provide to the other parties in writing from time to time, namely:

1154 If to the City: City of Calistoga  
1155 1232 Washington Street  
1156 Calistoga, California 94515  
1157 Attention: City Manager

1158 If to the Corporation: Calistoga Public Facilities Corporation  
1159 c/o City of Calistoga  
1160 1232 Washington Street  
1161 Calistoga, California 94515  
1162 Attn: Secretary

1163 If to the Trustee: City of Calistoga  
1164 1232 Washington Street  
1165 Calistoga, California 94515  
1166 Attention: City Treasurer

1167 SECTION 11.12. Non-Business Days. When any action is provided herein to  
1168 be done on a day named or within a time period named, and the day or the last day of the period  
1169 falls on a day other than a Business Day, it may be performed on the next succeeding Business  
1170 Day with effect as though performed on the appointed day or within the specified period.

1171 SECTION 11.13. Effective Date. This Trust Agreement shall become  
1172 effective upon its execution and delivery.

1173 SECTION 11.14. Execution in Counterparts. This Trust Agreement may be  
1174 executed in several counterparts, each of which shall be deemed an original, and all of which  
1175 shall constitute but one and the same instrument.

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1178 IN WITNESS WHEREOF, the parties hereto have executed and attested this  
1179 Trust Agreement by their officers thereunto duly authorized as of the day and year first written  
1180 above.

1181 CITY TREASURER OF THE CITY OF  
1182 CALISTOGA, as Trustee

1183 By \_\_\_\_\_  
1184 City Treasurer

1185 CALISTOGA PUBLIC FACILITIES  
1186 CORPORATION

1187 By \_\_\_\_\_  
1188 Authorized Officer

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CITY OF CALISTOGA

1193 By \_\_\_\_\_  
1194 Authorized Officer

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EXHIBIT A  
[FORM OF MASTER CERTIFICATE OF PARTICIPATION]  
MASTER CERTIFICATE  
No. R-1  
2008 CERTIFICATE OF PARTICIPATION  
(USDA WATER LOAN)  
Evidencing the Proportionate Interest of the Owner Hereof  
in Installment Payments to be Made  
by the  
CITY OF CALISTOGA  
to the  
CALISTOGA PUBLIC FACILITIES CORPORATION

\$2,511,170

Interest Rate  
[4.375%]  
Dated Date  
March 27, 2008

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REGISTERED OWNER: UNITED STATES OF AMERICA, ACTING THROUGH  
RURAL UTILITIES SERVICE, UNITED STATES  
DEPARTMENT OF AGRICULTURE  
PRINCIPAL SUM: TWO MILLION FIVE HUNDRED ELEVEN THOUSAND ONE  
HUNDRED SEVENTY DOLLARS

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THIS IS TO CERTIFY that the registered owner named above, as the registered owner of this Master Certificate (the "Master Certificate") representing certain Certificates of Participation (the "Certificates"), is the owner of a proportionate interest in the rights to receive certain Installment Payments made by the City of Calistoga to the Calistoga Public Facilities Corporation (as those terms defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain Installment Purchase Agreement (the "Installment Purchase Agreement") dated March 27, 2008, by and between the Calistoga Public Facilities Corporation (the "Corporation"), a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California, and the City of Calistoga (the "City"), a municipal corporation of the State of California duly organized and existing under and by virtue of the Constitution and laws of the State of California, all of which rights to receive such Installment Payments having been assigned without recourse by the Corporation to the Certificates.

1233 This Master Certificate evidences the Certificates maturing on the dates below.  
 1234 Each Certificate Number shall represent a principal amount of \$1,000, except for Certificate  
 1235 Number 1 which shall represent a principal amount of \$1,170.

<u>Maturity Date</u> <u>(March 1)</u>	<u>Certificate</u> <u>Numbers</u>	<u>Total</u> <u>Principal</u>
2009	1 - 23	\$ 23,170
2010	24 - 48	25,000
2011	49 - 74	26,000
2012	75 - 102	28,000
2013	103 - 131	29,000
2014	132 - 161	30,000
2015	162 - 192	31,000
2016	193 - 225	33,000
2017	226 - 259	34,000
2018	260 - 295	36,000
2019	296 - 332	37,000
2020	333 - 371	39,000
2021	372 - 411	40,000
2022	412 - 453	42,000
2023	454 - 497	44,000
2024	498 - 543	46,000
2025	544 - 591	48,000
2026	592 - 641	50,000
2027	642 - 693	52,000
2028	694 - 748	55,000
2029	749 - 805	57,000
2030	806 - 864	59,000
2031	865 - 926	62,000
2032	927 - 991	65,000
2033	992 - 1059	68,000
2034	1060 - 1130	71,000
2035	1131 - 1204	74,000
2036	1205 - 1281	77,000
2037	1282 - 1361	80,000
2038	1362 - 1445	84,000
2039	1446 - 1532	87,000
2040	1533 - 1623	91,000
2041	1624 - 1718	95,000
2042	1719 - 1817	99,000
2043	1818 - 1921	104,000
2044	1922 - 2029	108,000
2045	2030 - 2142	113,000
2046	2143 - 2260	118,000
2047	2261 - 2383	123,000
2048	2384 - 2511	128,000

1237 The registered owner of this Master Certificate is entitled to receive, subject to the  
1238 terms of the Installment Payment Agreement and any right of prepayment prior thereto  
1239 hereinafter provided for, on the certificate payment dates set forth above (the "Certificate  
1240 Payment Dates"), the principal sum specified above coming due on the Certificate Payment Date,  
1241 and on each March 1 and September 1 commencing September 1, 2008 (each, an "Interest  
1242 Payment Date"), the registered owner of this Certificate is entitled to receive interest on such  
1243 Certificate Payment Date or the date of prepayment prior thereto. Such interest components is  
1244 the result of the multiplication of the aforesaid portion of the Installment Payments designated as  
1245 principal components by the interest rate per annum stated above calculated on the basis of a  
1246 365-day year, with one-half of the annual interest rate payable on each Interest Payment Date.  
1247 The interest is payable to the person whose name appears on the certificate registration books of  
1248 the Trustee as the registered owner hereof as of the close of business on the fifteenth day of the  
1249 month immediately preceding the Interest Payment Date, whether or not such day is a business  
1250 day, such interest to be paid by check mailed by first class mail on the date such interest is due to  
1251 such registered owner at his address as it appears on such registration books. All such amounts  
1252 are payable in lawful money of the United States of America.

1253 This Master Certificate evidences ownership of the duly authorized certificates of  
1254 participation entitled, "2008 Certificates of Participation (USDA Water Loan)," and has been  
1255 executed by the Trustee pursuant to the terms of a Trust Agreement (together with any  
1256 supplements or amendments thereto, the "Trust Agreement") by and among the Trustee, the  
1257 Corporation and the City, dated March 27, 2008. Copies of the Trust Agreement are on file at  
1258 the Principal Corporate Trust Office, and reference is hereby made to the Trust Agreement and to  
1259 any and all amendments thereof and supplements thereto for a description of the agreements,  
1260 conditions, covenants and terms securing the Certificates, for the nature, extent and manner of  
1261 enforcement of such agreements, conditions, covenants and terms, for the rights and remedies of  
1262 the registered owners of the Certificates with respect thereto and for the other agreements,  
1263 conditions, covenants and terms upon which the Certificates are executed and delivered  
1264 thereunder, to which agreements, conditions, covenants and terms the owner hereof, by  
1265 acceptance hereof, hereby consents.

1266 To the extent and in the manner permitted by the terms of the Trust Agreement  
1267 and the Installment Purchase Agreement, the provisions of the Trust Agreement may be amended  
1268 or supplemented by the parties thereto.

1269 This Certificate is transferable only to a Qualified Institutional Buyer (as such  
1270 term is defined by Rule 144A of the Securities Act of 1933) or other persons with the consent of  
1271 the City and the Corporation, by the Owner thereof in person or by his attorney duly authorized  
1272 in writing, at the Principal Corporate Trust Office, but only in the manner, subject to the  
1273 limitations and upon payment of the charges provided in the Trust Agreement, and upon  
1274 surrender of this Certificate for cancellation accompanied by delivery of a duly executed written  
1275 instrument of transfer in the form appearing hereon. Upon such transfer, a new Certificate or  
1276 Certificates of the same Certificate Payment Date representing the same principal amount will be  
1277 issued to the transferee in exchange herefor.

1278 The Trustee may treat the registered owner hereof as the absolute owner hereof  
1279 for all purposes, whether or not any Certificate shall be overdue, and the Trustee shall not be

1280 affected by any knowledge or notice to the contrary; and payment of the interest and principal  
1281 represented by this Master Certificate shall be made only to such registered owner, which  
1282 payments shall be valid and effectual to satisfy and discharge liability represented by this Master  
1283 Certificate to the extent of the sum or sums so paid.

1284 The Certificates are authorized to be maintained as a Master Certificate in the  
1285 minimum denomination of equal to the Outstanding aggregate principal amount evidenced by the  
1286 Certificates, initially \$2,511,170.

1287 The Certificates are subject to mandatory and optional prepayment as provided in  
1288 the Trust Agreement.

1289 As provided in the Trust Agreement, notice of prepayment hereof shall be mailed,  
1290 first class postage prepaid, not less than seven (7) nor more than thirty (30) days before the  
1291 prepayment date, to the registered owner of this Certificate at its address as it appears on the  
1292 registration books maintained by the Trustee. If this Certificate is called for prepayment and  
1293 payment is duly provided herefor as specified in the Trust Agreement, interest represented  
1294 hereby shall cease to accrue from and after the date fixed for prepayment.

1295 The Certificates each evidence and represent a proportionate interest in the  
1296 Installment Payments in an amount equal to the aggregate principal amount of Certificates  
1297 originally executed and delivered by the Trustee pursuant to the Trust Agreement and enjoy the  
1298 benefits of a security interest in the moneys held in the funds established pursuant to the Trust  
1299 Agreement, subject to the provisions of the Trust Agreement permitting the disbursement thereof  
1300 for or to the purposes and on the conditions and terms set forth therein. The Certificates are  
1301 equally secured by a pledge of, and charge and lien upon, the Revenues, and the Revenues  
1302 constitute a trust fund for the security and payment of the interest on and principal of and  
1303 redemption premiums, if any, on the Certificates. The obligation of the City to make the  
1304 Installment Payments and the Special Payments is a special obligation of the City, and does not  
1305 constitute a debt of the City or of the State of California or of any municipal corporation thereof  
1306 within the meaning of any constitutional or statutory debt limitation or restriction.

1307 The Trustee has no obligation or liability to the Certificate owners for the  
1308 payment of the interest or principal represented by the Certificates, but rather the Trustee's sole  
1309 obligations are to administer, for the benefit of the City and the Corporation and the Certificate  
1310 owners, the various funds established under the Trust Agreement and the Lease. The  
1311 Corporation has no obligation or liability whatsoever to the Certificate owners.

1312 The City has certified to the Trustee that all acts, conditions and things required  
1313 by the statutes of the State of California and the Trust Agreement to exist, to have happened and  
1314 to have been performed precedent to and in connection with the execution and delivery of this  
1315 Certificate do exist, have happened and have been performed in regular and due time, form and  
1316 manner as required by law, and that the Trustee is duly authorized to execute and deliver this  
1317 Master Certificate. This is to further certify that the amount of this Master Certificate, together  
1318 with all other Certificates executed and delivered under the Trust Agreement, is not in excess of  
1319 the amount of Certificates authorized to be executed and delivered thereunder.



1320 IN WITNESS WHEREOF, this Master Certificate has been dated as of the date  
1321 set forth above and has been executed by the manual signature of an authorized signatory of the  
1322 Corporation.

1323 Date of Execution: March 27, 2008

1324 CALISTOGA PUBLIC FACILITIES  
1325 CORPORATION

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1328 By \_\_\_\_\_  
1329 Authorized Officer

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FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_ the within Certificate and do(es) hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer such Certificate on the Certificate register of the Trustee, with full power of substitution in the premises.

Dated: \_\_\_\_\_

By \_\_\_\_\_  
Authorized Signatory

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

Signature Guarantee:

\_\_\_\_\_  
Signature(s) must be guaranteed by an eligible guarantor institution.

EXHIBIT B

DEBT SERVICE SCHEDULE

[see attached numbers from Brandis Tallman, LLC]

City of Calistoga  
 USDA Loan  
 March 10, 2008 at 1:15 pm

Sources and Uses of Funds

Delivery Date: 3/27/ 8

Sources of Funds

Par Amount of Bonds.....	\$2,511,170.00	
+Premium /-Discount.....	\$0.00	
Bond Proceeds.....		2,511,170.00
City Contribution.....		119,541.00
Grant.....		1,000,000.00
		-----
		\$3,630,711.00

Uses of Funds

Admin/Legal.....		40,000.00
Engineering.....		748,103.00
Other Engineering.....		269,554.00
Construction.....		2,417,854.00
Contingency.....		155,200.00
Contingency.....		0.00
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		\$3,630,711.00

City of Calistoga  
 USDA Loan  
 March 10, 2008 at 3:30 pm

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Debt Service Schedule

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Date	Principal	Coupon	Interest	Period Total	Fiscal Total
9/ 1/ 8			47,557.43	47,557.43	
3/ 1/ 9	23,170.00	4.375000	54,931.85	78,101.85	125,659.28
9/ 1/ 9			54,425.00	54,425.00	
3/ 1/10	25,000.00	4.375000	54,425.00	79,425.00	133,850.00
9/ 1/10			53,878.13	53,878.13	
3/ 1/11	26,000.00	4.375000	53,878.13	79,878.13	133,756.25
9/ 1/11			53,309.38	53,309.38	
3/ 1/12	28,000.00	4.375000	53,309.38	81,309.38	134,618.75
9/ 1/12			52,696.88	52,696.88	
3/ 1/13	29,000.00	4.375000	52,696.88	81,696.88	134,393.75
9/ 1/13			52,062.50	52,062.50	
3/ 1/14	30,000.00	4.375000	52,062.50	82,062.50	134,125.00
9/ 1/14			51,406.25	51,406.25	
3/ 1/15	31,000.00	4.375000	51,406.25	82,406.25	133,812.50
9/ 1/15			50,728.13	50,728.13	
3/ 1/16	33,000.00	4.375000	50,728.13	83,728.13	134,456.25
9/ 1/16			50,006.25	50,006.25	
3/ 1/17	34,000.00	4.375000	50,006.25	84,006.25	134,012.50
9/ 1/17			49,262.50	49,262.50	
3/ 1/18	36,000.00	4.375000	49,262.50	85,262.50	134,525.00
9/ 1/18			48,475.00	48,475.00	
3/ 1/19	37,000.00	4.375000	48,475.00	85,475.00	133,950.00
9/ 1/19			47,665.63	47,665.63	
3/ 1/20	39,000.00	4.375000	47,665.63	86,665.63	134,331.25
9/ 1/20			46,812.50	46,812.50	
3/ 1/21	40,000.00	4.375000	46,812.50	86,812.50	133,625.00
9/ 1/21			45,937.50	45,937.50	
3/ 1/22	42,000.00	4.375000	45,937.50	87,937.50	133,875.00
9/ 1/22			45,018.75	45,018.75	
3/ 1/23	44,000.00	4.375000	45,018.75	89,018.75	134,037.50
9/ 1/23			44,056.25	44,056.25	
3/ 1/24	46,000.00	4.375000	44,056.25	90,056.25	134,112.50
9/ 1/24			43,050.00	43,050.00	
3/ 1/25	48,000.00	4.375000	43,050.00	91,050.00	134,100.00
9/ 1/25			42,000.00	42,000.00	
3/ 1/26	50,000.00	4.375000	42,000.00	92,000.00	134,000.00
9/ 1/26			40,906.25	40,906.25	
3/ 1/27	52,000.00	4.375000	40,906.25	92,906.25	133,812.50
9/ 1/27			39,768.75	39,768.75	
3/ 1/28	55,000.00	4.375000	39,768.75	94,768.75	134,537.50
9/ 1/28			38,565.63	38,565.63	
3/ 1/29	57,000.00	4.375000	38,565.63	95,565.63	134,131.25
9/ 1/29			37,318.75	37,318.75	
3/ 1/30	59,000.00	4.375000	37,318.75	96,318.75	133,637.50
9/ 1/30			36,028.13	36,028.13	

3/ 1/31	62,000.00	4.375000	36,028.13	98,028.13	134,056.25
9/ 1/31			34,671.88	34,671.88	
3/ 1/32	65,000.00	4.375000	34,671.88	99,671.88	134,343.75
9/ 1/32			33,250.00	33,250.00	
3/ 1/33	68,000.00	4.375000	33,250.00	101,250.00	134,500.00
9/ 1/33			31,762.50	31,762.50	
3/ 1/34	71,000.00	4.375000	31,762.50	102,762.50	134,525.00
9/ 1/34			30,209.38	30,209.38	
3/ 1/35	74,000.00	4.375000	30,209.38	104,209.38	134,418.75
9/ 1/35			28,590.63	28,590.63	
3/ 1/36	77,000.00	4.375000	28,590.63	105,590.63	134,181.25
9/ 1/36			26,906.25	26,906.25	
3/ 1/37	80,000.00	4.375000	26,906.25	106,906.25	133,812.50
9/ 1/37			25,156.25	25,156.25	
3/ 1/38	84,000.00	4.375000	25,156.25	109,156.25	134,312.50
9/ 1/38			23,318.75	23,318.75	
3/ 1/39	87,000.00	4.375000	23,318.75	110,318.75	133,637.50
9/ 1/39			21,415.63	21,415.63	
3/ 1/40	91,000.00	4.375000	21,415.63	112,415.63	133,831.25
9/ 1/40			19,425.00	19,425.00	
3/ 1/41	95,000.00	4.375000	19,425.00	114,425.00	133,850.00
9/ 1/41			17,346.88	17,346.88	
3/ 1/42	99,000.00	4.375000	17,346.88	116,346.88	133,693.75
9/ 1/42			15,181.25	15,181.25	
3/ 1/43	104,000.00	4.375000	15,181.25	119,181.25	134,362.50
9/ 1/43			12,906.25	12,906.25	
3/ 1/44	108,000.00	4.375000	12,906.25	120,906.25	133,812.50
9/ 1/44			10,543.75	10,543.75	
3/ 1/45	113,000.00	4.375000	10,543.75	123,543.75	134,087.50
9/ 1/45			8,071.88	8,071.88	
3/ 1/46	118,000.00	4.375000	8,071.88	126,071.88	134,143.75
9/ 1/46			5,490.63	5,490.63	
3/ 1/47	123,000.00	4.375000	5,490.63	128,490.63	133,981.25
9/ 1/47			2,800.00	2,800.00	
3/ 1/48	128,000.00	4.375000	2,800.00	130,800.00	133,600.00
-----					
	2,511,170.00		2,843,339.27	5,354,509.27	
ACCRUED					
	2,511,170.00		2,843,339.27	5,354,509.27	
=====					

Dated 3/27/ 8 with Delivery of 3/27/ 8

Bond Years 65,022.363

Average Coupon 4.372267

Average Life 25.893254

N I C % 4.372267 % Using 100.000000

Weighted Bond Years 65,022.363

Weighted Average Life 25.893254

Weighted N I C % 4.372267 % Using 100.000000

T I C % 4.372271 % From Delivery Date

Arbitrage Yield 4.372271 %

RUS BULLETIN 1780-27

**RESOLUTION 2003-016**

APPROVED

(Automated 8-97)

OMB. No. 0575-0015

**LOAN RESOLUTION**

(Public Bodies)

A RESOLUTION OF THE City CouncilOF THE City of Callstoga

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS

Water System Improvements

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the City of Callstoga*(Public Body)*

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of

**TWO MILLION FIVE HUNDRED ELEVEN THOUSAND ONE HUNDRED SEVENTY AND XX/100**pursuant to the provisions of The Letter of Conditions, dated August 9, 2002, and Amendment dated August 20, 2002; and

WHEREAS, the Association intends to obtain assistance from the United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form RD 400-4, "Assurance Agreement," and Form RD 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legal ly permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contractor agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by USDA. No free service or use of the facility will be permitted.

*Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, DC 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0015), Washington, DC 20503.*

- 11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
- 12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
- 13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
- 14. That if the Government requires that a reserve account be established, disbursements from that account(s) may be used when necessary for payments due on the bond if sufficient funds are not otherwise available and prior approval of the Government is obtained. Also, with the prior written approval of the Government, funds may be withdrawn and used for such things as emergency maintenance, extensions to facilities and replacement of short lived assets.
- 15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
- 16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
- 17. To accept a grant in an amount not to exceed \$ 1,000,000.00

under the terms offered by the Government; that the \_\_\_\_\_

and \_\_\_\_\_ of the Association is hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

The vote was:                      Yeas 5                      Nays 0                      Absent 0

IN WITNESS WHEREOF, the City Council \_\_\_\_\_ of the

City of Callstoga \_\_\_\_\_ has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this February 18th 2003 day of \_\_\_\_\_

(SEAL)

Attest: Su Sneddon \_\_\_\_\_

Title Deputy City Clerk

By James C. McClam \_\_\_\_\_  
Title City Manager \_\_\_\_\_