

**ORDINANCE NO. 2005G**

**PLUMAS EUREKA COMMUNITY SERVICES DISTRICT**

**AN ORDINANCE AUTHORIZING THE ISSUANCE AND SALE OF  
SEWER REVENUE BONDS TO THE UNITED STATES  
DEPARTMENT OF AGRICULTURE, RURAL DEVELOPMENT,  
TO FINANCE WASTEWATER TREATMENT PLANT PROJECT**

WHEREAS, the United States Department of Agriculture, acting through the Rural Utilities Service ("Rural Development"), issued its Letter of Conditions dated February 22, 2005, as amended March 15, 2005 (the "Letter of Conditions"), specifying the terms under which Rural Development would lend the Plumas Eureka Community Services District (the "District") a portion of the cost of improvements to the District's Wastewater Treatment Plant No. 7 (the "Project");

WHEREAS, this Board adopted Resolution No. 2005-51 on July 13, 2005, in the form of the loan resolution specified by RUS Bulletin 1780-27 (the "Loan Resolution"), as required by Paragraph 3(a) of Attachment No. 1 of the Letter of Conditions;

WHEREAS, Rural Development has committed to lend \$683,000 to the District to finance a portion of the costs of the Project and will offer to purchase sewer revenue bonds of the District issued to evidence the loan;

WHEREAS, the District has undertaken proceedings pursuant to the authority of Chapter 5 of Part 3 of Division 5 of California Health and Safety Code, being sections 4950-5072 (the "Bond Law") to authorize the issuance of sewer revenue bonds;

WHEREAS, pursuant to California Health and Safety Code sections 4965 and 4966, this Board adopted Resolution No. 2005-49 (the "Resolution of Intention") on June 8, 2005, declaring its intention to carry out the Project and to issue bonds (the "Bonds") to pay for the costs of the Project;

WHEREAS, pursuant to California Health and Safety Code sections 4971 and 4972, this Board caused the Resolution of Intention to be published and posted in the manner required therein;

WHEREAS, on July 13, 2005, this Board held a hearing at which all persons were given the opportunity to appear before the Board and present any objections to the Project or the issuance and sale of the Bonds;

WHEREAS, before the conclusion of the hearing, no petition signed by 15% of the owners of the property or 15% of the registered voters in the District was filed with this Board requesting that the proposition to acquire and construct the Project be submitted to an election of the registered voters of the District;

WHEREAS, pursuant to California Health and Safety Code section 4979, upon conclusion of the hearing, this Board acquired jurisdiction to acquire and construct the Project and to issue the Bonds;

WHEREAS, because the issuance of the Bonds has been subject to a referendum process and because the manner of passage and adoption of this ordinance are governed by the provisions of the Bond Law, pursuant to California Elections Code section 9235(d), this ordinance (the "Ordinance") shall take effect immediately;

WHEREAS, all things necessary to make the Bonds, when issued, executed and delivered by the District as provided herein, the valid and binding obligations of the District, and to constitute this Ordinance as a valid pledge of the revenues herein pledged to the payment of the principal of, redemption premium, if any, and interest on the Bonds have been done and performed, as required by law, and the District is now fully authorized to issue the Bonds, subject to the terms hereof;

NOW, THEREFORE, BE IT ORDAINED by the Board of Directors of the Plumas Eureka Community Services District as follows:

Section 1. Recitals. All of the above recitals are true and correct and the Board so finds and determines.

Section 2. Authorization of the Issuance of the Bonds. The Board hereby authorizes the issuance of Bonds in the aggregate principal amount of \$683,000 pursuant to the Bond Law.

Section 3. Form and Terms of the Bonds.

(a) Form and Registration of the Bonds. The Bonds shall be issued in the form of a single, fully-registered installment bond (an "Installment Bond") in the form attached to this Ordinance as Exhibit A. The title of the Installment Bond shall be "Plumas Eureka Community Services District Sewer Revenue Bond, Series 2005." The Bond shall be registered in the name of the United States of America, acting through the Rural Utilities Service of the United States Department of Agriculture.

(b) Interest Accrual, Interest Rate, Principal Installments. The Series 2005 Installment Bond shall be dated its date of delivery, shall bear interest from its delivery date at a rate equal to the Rural Utilities Service's "market rate," and shall mature in installments of principal on the anniversary of the first day of the month in which the Bond is delivered and each anniversary thereafter, with the final principal installment due on the fortieth anniversary thereof, in the amounts specified in the Bond delivered at closing.

(c) Interest Payments. Interest on the Series 2005 Installment Bond shall be payable on the date the first principal installment is due and thereafter semiannually. Interest on the Bond shall be calculated on the basis of a year of 365 days and actual days elapsed. Each semiannual payment of interest shall be in the amount of one-half of the annual amount of interest due. The District shall pay the principal installments and interest on the Bond to the registered owner,

unless otherwise requested by the registered owner, by the Pre-Authorized Debit (PAD) payment process.

Section 4. Optional Redemption. At its option, the District may redeem the Series 2005 Installment Bond as a whole or in part (allocable to the principal installments in inverse order of their payment dates) on any date, by paying the principal amount to be redeemed plus interest accrued to the date fixed for redemption, without premium. The District shall give notice to the registered owner of its election to redeem the Bond or a portion thereof at least thirty days prior to the date fixed for redemption.

Section 5. Execution of the Bonds. The Board hereby authorizes the President of the Board and the Secretary of the Board (the "Designated Officers") to sign and countersign the Series 2005 Installment Bond, and to affix the seal of the District thereto, with such changes, insertions, revisions, corrections, or amendments to the form of the Bonds as shall be approved by the officers executing the Bond for the District. The execution of the Bond by the Designated Officers of the District shall constitute conclusive evidence of such officers' and the Board's approval of any such changes, insertions, revisions, corrections, or amendments to the form of the Bond presented to this meeting.

Section 6. Payment of the Bond; Pledge of Revenues. (a) Payment of the Bond. The principal amount of the Series 2005 Installment Bond, together with the interest thereon, shall be payable solely from Revenues. The term "Revenues" means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the District's sewer enterprise, including, without limiting the generality of the foregoing,

- (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the operation of its sewer enterprise;
- (2) the earnings on and income derived from the investment of amounts described in clause (1) above and from District reserves; and
- (3) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of its sewer system;

but excluding

- (1) customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District;
- (2) any proceeds of taxes or assessments restricted by law to be used by the District to pay bonds or other obligations heretofore or hereafter issued.

(b) Pledge of Revenues. The District hereby irrevocably pledges all of the Revenues of its sewer enterprise to the payment of debt service on the Series 2005 Installment Bond, subject only to the prior lien thereon that secures the District's 1996 Series CC Certificates of Participation. Notwithstanding the foregoing pledge of Revenues, the District may use the Revenues to pay all operation and maintenance costs of the sewer enterprise (including amounts

reasonably required to be set aside in contingency reserves for operation and maintenance costs, the payment of which is not then immediately required).

Section 7. Sale and Delivery of the Bond. The Board hereby authorizes the Designated Officers to accept the offer from Rural Development to purchase the Series 2005 Installment Bond and to deliver the Bond to Rural Development.

Section 8. Use and Deposit of Proceeds of the Bonds. In accordance with Paragraph 3 of Attachment No. 2 of the Letter of Conditions, the District will deposit the proceeds of the sale of the Series 2005 Installment Bond when received into the construction bank account established for the Project.

Section 9. Reserve Account. (a) Establishment and Funding of the Reserve Account. In accordance with Paragraph 1 of Attachment No. 1 of the Letter of Conditions, the District hereby establishes and promises to maintain a debt service reserve account (the "Reserve Account"). On the date in each year when an installment of principal of the Series 2005 Installment Bond is due, the District shall deposit into the Reserve Account an amount equal to one-tenth of average annual debt service on the Series 2005 Installment Bond, until the amount on deposit therein equals average annual debt service on the Bond (the "Reserve Requirement").

(b) Application of the Reserve Account. In accordance with Paragraph 14 of the Loan Resolution, the District may withdraw and apply funds from the Reserve Account only with the prior approval of USDA and only (i) to make payments of installments of principal and interest on the Series 2005 Installment Bond when no other funds of the District are available therefor, (ii) to pay the final installment of principal and interest on the Bond, or (iii) to fund emergency maintenance to the District's sewer facilities, extensions to the District's sewer facilities, and replacement of short-lived assets used in connection with the District's sewer enterprise. The District shall deposit any earnings received from the investment of funds in the Reserve Account therein until the balance of the Reserve Account is equal to the Reserve Requirement; thereafter, the District shall deposit any such earnings into its sewer enterprise fund.

(c) Replenishment of the Reserve Account. On or before the last day of each month, the District shall deposit in the Reserve Account one-twelfth (1/12) of the amount of any prior withdrawal from the Reserve Account until the amount withdrawn is fully restored to the Reserve Account.

Section 10. Renewal and Extension Fund. (a) Establishment and Funding of the Renewal and Extension Fund. In accordance with Paragraph 1 of Attachment No. 1 of the Letter of Conditions, the District hereby establishes and promises to maintain a fund designated as the "Renewal and Extension Fund." Once the amount on deposit in the Reserve Account has accumulated to the Reserve Requirement, on the date in each year when an installment of principal of the Series 2005 Installment Bond is due, for as long as the Bond is outstanding, the District shall deposit into the Renewal and Extension Fund an amount equal to one-tenth (1/10) of average annual debt service on the Bonds.

(b) Application of the Renewal and Extension Fund. In accordance with Paragraph 1 of Attachment No. 1 of the Letter of Conditions, the District may withdraw and apply funds from

the Renewal and Extension Fund only for emergency maintenance to the District's sewer facilities, extensions to the District's sewer facilities, and replacement of short-lived assets used in connection with the District's sewer facilities that have a useful life significantly less than the repayment period of the Bond.

Section 11. Bond Register; Transfers. The District shall maintain a register containing the name of the registered owner and the owner's address. The registered owner may transfer ownership of the Series 2005 Installment Bond by surrender of the Bond to the District accompanied by a duly executed instrument of transfer in a form approved by the District. The District shall deliver to the transferee a new Bond or Bonds in the aggregate amount of the unpaid principal installments and shall record the transfer in the Bond register.

Section 12. Tax Exemption. The District shall at all times do and perform all acts and things permitted by law that are necessary and desirable in order to assure that interest paid on the Series 2005 Installment Bond will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. This covenant shall survive the payment in full of the Bonds.

Section 13. Additional Debt. The District shall not incur other obligations having any priority over the Series 2005 Installment Bond in payment out of the Revenues. The District shall not incur any other obligations payable from and secured by a pledge of Revenues on a parity with the Bonds unless (i) Rural Development consents in writing, or (ii) the District provides to Rural Development documentation acceptable to Rural Development establishing that Net Revenues (Revenues less essential operation and maintenance expenses) of the District's sewer enterprise for the fiscal year following the year in which such other obligations will be issued will be at least 120% of the average annual debt service requirements of all outstanding Bonds and other obligations secured by Revenues, including the obligations to be issued. The District may incur other obligations secured by a lien that is expressly stated to be junior and subordinate to the lien on the Revenues that secures the Bonds.

Section 14. Events of Default and Remedies. (a) Events of Default. The following shall be Events of Default hereunder:

(1) Failure by the District to pay any installment of principal of or interest on the Series 2005 Installment Bond at the time specified in the Bond delivered to Rural Development.

(2) Failure by the District to observe and perform any covenant, condition or agreement on its part contained herein or in the Loan Resolution, other than in clause (1) of this subsection, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by Rural Development; provided, however, that Rural Development and the District may agree that action by the District to cure such failure may be extended beyond such thirty-day period.

(b) Remedies on Default. Whenever any Event of Default shall have happened and be continuing, Rural Development shall have the right, at its option upon notice to the District, to:

(1) declare the principal of the outstanding Series 2005 Installment Bond and the interest accrued thereon to be immediately due and payable, whereupon the same shall immediately become due and payable, but only from Revenues;

(2) for the account of the District (payable from Revenues or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the sewer enterprise and such other reasonable expenses as may be necessary to cure the cause of default, and/or

(3) take possession of the District's sewer enterprise, repair, maintain, and operate or rent it.

The provisions of the preceding clause (1) are subject to the condition that if, at any time after the principal of the outstanding Bonds and the interest accrued thereon shall have been so declared due and payable pursuant to the preceding clause (1), and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall pay to Rural Development a sum sufficient to pay all installments of principal and interest on the Series 2005 Installment Bond coming due prior to such declaration, and the reasonable expenses of Rural Development (including any fees and expenses of its attorneys and court and other collection costs), and any and all other defaults known to Rural Development (other than in the payment of the installments of principal and interest due and payable solely by reason of such declaration) shall have been made good, then, and in every such case, Rural Development, by written notice to the District, shall rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

(c) No Remedy Exclusive. No remedy herein conferred upon or reserved to Rural Development is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder and under the Loan Resolution or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 15. Designation as "Qualified Tax-Exempt Obligations." The Board reasonably anticipates that the District and all subordinate entities and all entities that issue obligations on its behalf will not issue more than ten million dollars of tax-exempt obligations (excluding private activity bonds) during the current calendar year. The Board hereby designates the Series 2005 Installment Bond as a qualified tax-exempt obligation within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986.

Section 16. Rights of Bondholders. If at any time the United States of America is not the sole registered owner of the Series 2005 Installment Bond, the rights conferred upon Rural Development herein shall be exercisable by the owners of at least 75% of the aggregate principal amount of the Bonds outstanding.

Section 17. General Authorization. All actions heretofore taken by the officers and agents of the District with respect to the issuance and sale of the Series 2005 Installment Bond are hereby approved, and the Designated Officers and any and all other officers of the District are hereby authorized and directed, for and in the name and on behalf of the District, to do any and all things and take any and all actions related to the execution and delivery of any and all certificates, requisitions, agreements and other documents that they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance, sale, and delivery of the Bond.

Section 18. Effective Date. This ordinance shall take effect immediately upon its adoption.

PASSED AND ADOPTED on July 13, 2005, by the following vote:

AYES: *TRETTON, WIEMEYER, WALKER, GAAY & BRAZELTON*

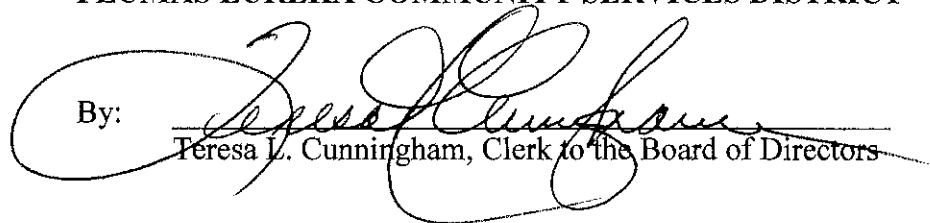
NOES: *NONE*

ABSENT: *NONE*

ABSTAINED: *NONE*

**PLUMAS EUREKA COMMUNITY SERVICES DISTRICT**

By:

  
Teresa L. Cunningham, Clerk to the Board of Directors

**EXHIBIT A**

[FORM OF INSTALLMENT BOND]

REGISTERED  
NO. R-1

REGISTERED  
\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
COUNTY OF PLUMAS

**PLUMAS EUREKA COMMUNITY SERVICES DISTRICT  
SEWER REVENUE BONDS, SERIES 2005**

*This bond has been designated as a qualified tax-exempt obligation for purposes of section 265(b)(3) of the Internal Revenue Code of 1986.*

<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE PER ANNUM</u>	<u>DELIVERY DATE</u>
\$683,000	_____%	_____, 2005

Plumas Eureka Community Services District, a community services district duly organized and existing under the laws of the State of California (the "District"), for value received, hereby promises to pay (but only out of the Revenues hereinafter referred to) to the United States of America, acting through the Rural Utilities Service of the United States Department of Agriculture, Rural Development, or registered assigns, in installments on the dates stated below (subject to any right of prior redemption hereinafter mentioned) the total principal amount stated above, together with interest on the unpaid balance thereof, from the delivery date stated above, until the principal hereof shall have been paid, at the interest rate per annum stated above. Installments of principal shall be payable in the following amounts on the following dates:

<u>Installment Date</u> <u>(____) 1)</u>	<u>Principal Amount</u>	<u>Installment Date</u> <u>(____) 1)</u>	<u>Principal Amount</u>	<u>Installment Date</u> <u>(____) 1)</u>	<u>Principal Amount</u>
2006		2020		2033	
2007		2021		2034	
2008		2022		2035	
2009		2023		2036	
2010		2024		2037	
2011		2025		2038	
2012		2026		2039	
2013		2027		2040	
2014		2028		2041	
2015		2029		2042	
2016		2030		2043	
2017		2031		2044	
2018		2032		2045	
2019					



Interest hereon is payable on \_\_\_\_\_ 1, 2006, and thereafter semiannually on \_\_\_\_\_ 1 and \_\_\_\_\_ 1 in each year. Unless otherwise requested by the registered owner, principal installments and interest hereon are payable by the Pre-Authorized Debit (PAD) payment process.

This Bond represents all of a duly authorized issue of bonds of the District, designated "Plumas Eureka Community Services District Sewer Revenue Bonds, Series 2005" aggregating \$683,000 in principal amount. This Bond is issued as a single installment bond in lieu of separate bonds for each maturity date. This Bond is issued pursuant to the laws of the State of California, including Chapter 5 of Part 3 of Division 5 of California Health and Safety Code, being sections 4950-5072 (the "Bond Law"), and pursuant to Ordinance No. \_\_\_\_\_, adopted by the Board of Directors of the District on July 13, 2005 (the "Bond Ordinance"). Reference is hereby made to the Bond Ordinance and to the Bond Law for a description of the terms on which this Bond is issued, the provisions with regard to the nature and extent of the Revenues, as that term is defined in the Bond Ordinance, and the rights of the registered owners of this Bond. All the terms of the Bond Ordinance and the Bond Law are hereby incorporated herein and constitute a contract between the District and the registered owner from time to time of this Bond. The registered owner of this Bond, by acceptance hereof, consents and agrees to all the provisions of the Bond Ordinance and the Bond Law.

This Bond is a special obligation of the District, and is payable solely from the Revenues, namely, the income, rates, rents, fees, charges, and other moneys derived from the ownership or operation of the District's sewer enterprise. This Bond is are secured by a pledge of and lien upon all of the Revenues, subject only to the prior lien thereon that secures the District's 1996 Series CC Certificates of Participation.

The principal of and interest on this Bond are payable solely from the Revenues and the District is not obligated to pay it except from the Revenues. The general fund of the District is not liable, and the credit or taxing power of the District is not pledged, for the payment of this Bonds or its interest. This Bond is not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the District or any of its income or receipts, except the Revenues.

The District may redeem this Bond or any portion of it (allocable to the principal installments in inverse order of their payment dates) on any date by paying the principal amount to be redeemed, plus accrued interest to the date fixed for redemption, without premium.

The registered owner may transfer ownership of this Bond by surrender of the Bond to the District accompanied by a duly executed instrument of transfer, as provided in the Bond Ordinance. Upon such transfer a new Bond or Bonds, in the aggregate amount of the unpaid principal installments will be issued to the transferee in exchange herefor.


The District may treat the registered owner hereof as the absolute owner hereof for all purposes, and the District shall not be affected by any notice to the contrary.

This Bond is given as evidence of a loan to the District made by the United States of America pursuant to the Consolidated Farm and Rural Development Act and shall be subject to the present regulations of the United States Department of Agriculture, Rural Utilities Service, and to its future regulations not inconsistent with the express provisions hereof.

It is hereby certified that all of the conditions, things and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due time, form and manner as required by the Bond Law and other laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the District, does not

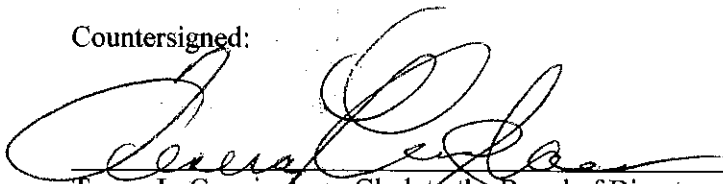
exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Bond Ordinance.

IN WITNESS WHEREOF, Plumas Eureka Community Services District has caused this Bond to be executed in its name and on its behalf by the Chairman of its Board of Directors and countersigned by the Clerk to the Board of Directors, and its seal to be affixed hereon.

  
Elmer L. Tretten, Chairman of the Board of Directors

(SEAL)

Countersigned:

  
Teresa L. Cunningham, Clerk to the Board of Directors

[FORM OF ASSIGNMENT]

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

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

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

Signature(s) Guaranteed by: \_\_\_\_\_

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Tax Identification Number,  
or other identifying number of Assignee: FED 88-0305569