

**RESOLUTION NUMBER 15-06**

**RESOLUTION APPROVING A LOAN AND  
SECURITY AGREEMENT, A PROMISSORY  
NOTE; AND AUTHORIZING CERTAIN  
OTHER ACTIONS IN CONNECTION  
THEREWITH**

WHEREAS, GROVELAND COMMUNITY SERVICES DISTRICT (hereinafter the "District") is a community services district duly organized and validly existing pursuant to the laws of the State of California Government Code Section 61000 et seq.; and

WHEREAS, the District is authorized pursuant to Government Code Sections 53850 through 53858 to borrow money, incur indebtedness and enter into loan agreements and issue promissory notes and expend such borrowed funds for any purpose for which the District is authorized to use and expend monies, including but not limited to capital expenditures including the design and construction of specified water and wastewater facilities and improvements constituting the Project (as defined below); and

WHEREAS, in order to finance a portion of the Project, the District has determined to enter into a Business Loan Agreement, Promissory Note, Commercial Security Agreement, UCC Financing Statement, Agreement to Provide Insurance, and Governmental Certificate with Pacific State Bank (the "Bank") pursuant to which the District will execute a Promissory Note in favor of Bank in order to secure loan proceeds to be used to pay for a portion of the costs of the Project; and

WHEREAS, there has been presented at this meeting forms of a Business Loan Agreement, Promissory Note, Commercial Security Agreement, UCC Financing Statement, Agreement to Provide Insurance, and Governmental Certificate for review and approval by the Board of Directors of District; and

WHEREAS, it is the intention of the Board of Directors that all proceeds from the loan shall be utilized solely for capital expenditures including the Project; and

WHEREAS, the Board of Directors of District hereby finds that it is in the public interest for the District to enter into the Business Loan Agreement, Promissory Note, Commercial Security Agreement, UCC Financing Statement, Agreement to Provide Insurance, and Governmental Certificate in favor of Bank

District as follows:

SECTION 1. Approval of Loan and Security Agreement. The form of Business Loan Agreement, Commercial Security Agreement, UCC Financing Statement, Governmental Certificate, and Agreement to Provide Insurance currently dated as of October 09, 2006 (collectively the "Loan Documents") between District and Bank, as presented to the District at this meeting are hereby approved. The President of the Board of Directors, the General Manager and the District Secretary, or any other officers duly designated by the District (the "Officers") are hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Loan Documents in substantially the form presented to the District at this meeting, with such changes therein as such Officers may require or approve upon the advice and approval of counsel to the District, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 2. Approval of Promissory Note. The proposed form of the Promissory Note currently dated as of October 9, 2006 (the "Promissory Note"), between the Bank and the District, as presented to the District at this meeting, is hereby approved. The Commercial Security Agreement and the UCC Financing Statement provide that the District has pledged as funds for repayment of the Promissory Note all taxes, income, gross revenue, cash receipts, or other monies of the District, including monies deposited in inactive or term deposits, received on or before June 30, 2007 as security for repayment of the Promissory Note. Said Promissory Note shall be subject to call and redemption prior to maturity on June 30, 2007, at the option of the District, without premium but subject to a minimum interest charge of One Hundred Dollars (\$100.00). Notice of redemption to the Bank by District shall be given by first class mail to Bank concurrent with the tender of such prepayment. The Officers are hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Promissory Note in substantially the form presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of counsel of the District, such approval to be conclusively evidenced by the execution and delivery thereof.

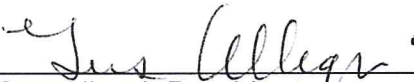
SECTION 3. Other Acts. The Officers and staff of the District are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, which, in consultation with District Counsel, they may deem necessary or advisable in order to effectuate the purposes of this Resolution, and any and all such actions previously taken by such Officers or staff members are hereby ratified and confirmed.

PASSED, APPROVED AND ADOPTED this 9th day of October 2006, by the following roll call vote:

AYES: Directors Allegri, Brizard, Johnson and Lennen

NOES: None

ABSTENTIONS: Director Gray

  
\_\_\_\_\_  
Gus Allegri, President

ATTEST:   
\_\_\_\_\_  
Vicki L. West, District Secretary

I hereby certify that the above Resolution No. 15-06 was duly introduced, read and adopted by the District at a regular meeting held on October 9, 2006, and that such Resolution has not been modified, amended, or rescinded, and is currently in full force and effect.

  
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District Secretary