



BOARD MEETING AGENDA SUBMITTAL

TO: GCSB Board of Directors

FROM: Jennifer Flores, Administrative Services Manager

DATE: December 8, 2020

SUBJECT: Agenda Item 7A. Adoption of a Resolution Authorizing the Execution and Delivery of a Loan Agreement, and Authorizing and Directing Certain Actions in Connection with the Refinancing of Prior Obligations

RECOMMENDED ACTION:

Staff recommends the following action:

I move to adopt Resolution 53-2020 authorizing the execution and delivery of a Loan Agreement and authorizing and directing certain actions in connection with the refinancing of prior obligations.

BACKGROUND:

Throughout the past couple of months, management has been working with the Municipal Finance Corporation in the preparation of the necessary documentation and agreement to accomplish a refinance of the 2013 Water Installment Sale Agreement and the 2014 Water Debt Service. The low market interest rates currently being experienced is what prompted District management to look into possible refinance of these debts. Attached hereto are a couple of documents surrounding the refinancing of these debts including the Loan Agreement and Refunding Analysis.

One of the directions staff provided to Municipal Finance Corporation was to look into the possibility of consolidating the two water debts into a single loan/debt. Municipal Finance Corporation was able to get the lender to combine these two debts into one loan. This consolidation will ease the administration effort surrounding the management and repayment of this debt.

Refinancing the 2013 Water Installment Sale Agreement and the 2014 Water Debt Service results in a net present value savings of \$126,732.74. The new interest rate will not exceed 2.35% and the debt will be paid off in July 2027, which was the original payoff date prior to refinancing.

Bill Morton with Municipal Finance Corporation is who the District has been working with through this process and will be present at today's meeting to provide a presentation of the refinancing and to answer questions.

ATTACHMENTS:

1. Refunding Analysis
2. Loan Agreement
3. Resolution 53-2020

SOURCES AND USES OF FUNDS

Groveland Community Services District 2021 Refunding Bonds

Sources:	Refunding of 2014 Water Revenue Bonds	Refunding of 2013 Installment Sale Agreement	Total
Bond Proceeds:			
Par Amount	1,809,155.75	1,090,023.20	2,899,178.95
Other Sources of Funds:			
Funds on Hand	378,519.80	316,621.21	695,141.01
	2,187,675.55	1,406,644.41	3,594,319.96

Uses:	Refunding of 2014 Water Revenue Bonds	Refunding of 2013 Installment Sale Agreement	Total
Refunding Escrow Deposits:			
Cash Deposit	2,172,074.96	1,397,245.00	3,569,319.96
Delivery Date Expenses:			
Cost of Issuance	15,600.59	9,399.41	25,000.00
	2,187,675.55	1,406,644.41	3,594,319.96

BOND DEBT SERVICE

Groveland Community Services District Refunding of 2014 Water Revenue Bonds

<i>Period Ending</i>	<i>Principal</i>	<i>Coupon</i>	<i>Interest</i>	<i>Debt Service</i>	<i>Annual Debt Service</i>
07/10/2021	129,617.56	2.350%	21,257.58	150,875.14	150,875.14
01/10/2022	131,915.56	2.350%	19,734.57	151,650.13	
07/10/2022	131,915.57	2.350%	18,184.57	150,100.14	301,750.27
01/10/2023	135,033.90	2.350%	16,634.56	151,668.46	
07/10/2023	135,033.90	2.350%	15,047.91	150,081.81	301,750.27
01/10/2024	138,225.95	2.350%	13,461.26	151,687.21	
07/10/2024	138,225.95	2.350%	11,837.11	150,063.06	301,750.27
01/10/2025	141,493.46	2.350%	10,212.95	151,706.41	
07/10/2025	141,493.46	2.350%	8,550.40	150,043.86	301,750.27
01/10/2026	144,838.21	2.350%	6,887.86	151,726.07	
07/10/2026	144,838.20	2.350%	5,186.01	150,024.21	301,750.28
01/10/2027	148,262.01	2.350%	3,484.16	151,746.17	
07/10/2027	148,262.02	2.350%	1,742.08	150,004.10	301,750.27
	1,809,155.75		152,221.02	1,961,376.77	1,961,376.77

BOND DEBT SERVICE

Groveland Community Services District Refunding of 2013 Installment Sale Agreement

<i>Period Ending</i>	<i>Principal</i>	<i>Coupon</i>	<i>Interest</i>	<i>Debt Service</i>	<i>Annual Debt Service</i>
07/10/2021	93,297.97	2.350%	12,807.77	106,105.74	106,105.74
01/10/2022	94,952.07	2.350%	11,711.52	106,663.59	
07/10/2022	94,952.07	2.350%	10,595.83	105,547.90	212,211.49
01/10/2023	97,196.63	2.350%	9,480.15	106,676.78	
07/10/2023	97,196.63	2.350%	8,338.09	105,534.72	212,211.50
01/10/2024	99,494.25	2.350%	7,196.03	106,690.28	
07/10/2024	99,494.25	2.350%	6,026.97	105,521.22	212,211.50
01/10/2025	101,846.18	2.350%	4,857.91	106,704.09	
07/10/2025	101,846.18	2.350%	3,661.22	105,507.40	212,211.49
01/10/2026	209,746.97	2.350%	2,464.53	212,211.50	
07/10/2026					212,211.50
	1,090,023.20		77,140.02	1,167,163.22	1,167,163.22

BOND DEBT SERVICE**Groveland Community Services District
2021 Refunding Bonds**

<i>Period Ending</i>	<i>Principal</i>	<i>Coupon</i>	<i>Interest</i>	<i>Debt Service</i>	<i>Annual Debt Service</i>
07/10/2021	222,915.53	2.350%	34,065.35	256,980.88	256,980.88
01/10/2022	226,867.63	2.350%	31,446.09	258,313.72	
07/10/2022	226,867.64	2.350%	28,780.40	255,648.04	513,961.76
01/10/2023	232,230.53	2.350%	26,114.71	258,345.24	
07/10/2023	232,230.53	2.350%	23,386.00	255,616.53	513,961.77
01/10/2024	237,720.20	2.350%	20,657.29	258,377.49	
07/10/2024	237,720.20	2.350%	17,864.08	255,584.28	513,961.77
01/10/2025	243,339.64	2.350%	15,070.86	258,410.50	
07/10/2025	243,339.64	2.350%	12,211.62	255,551.26	513,961.76
01/10/2026	354,585.18	2.350%	9,352.39	363,937.57	
07/10/2026	144,838.20	2.350%	5,186.01	150,024.21	513,961.78
01/10/2027	148,262.01	2.350%	3,484.16	151,746.17	
07/10/2027	148,262.02	2.350%	1,742.08	150,004.10	301,750.27
	2,899,178.95		229,361.04	3,128,539.99	3,128,539.99

SAVINGS

Groveland Community Services District 2021 Refunding Bonds

<i>Date</i>	<i>Prior Debt Service</i>	<i>Refunding Debt Service</i>	<i>Savings</i>	<i>Annual Savings</i>	<i>Present Value to 01/10/2021 @ 2.3500001%</i>
07/10/2021	215,047.90	256,980.88	(41,932.98)	(41,932.98)	(41,445.99)
01/10/2022	474,496.91	258,313.72	216,183.19		211,191.04
07/10/2022	210,248.10	255,648.04	(45,399.94)	170,783.25	(43,836.48)
01/10/2023	479,697.10	258,345.24	221,351.86		211,246.89
07/10/2023	205,263.29	255,616.53	(50,353.24)	170,998.62	(47,496.47)
01/10/2024	484,712.29	258,377.49	226,334.80		211,014.38
07/10/2024	200,093.48	255,584.28	(55,490.80)	170,844.00	(51,133.85)
01/10/2025	489,542.49	258,410.50	231,131.99		210,510.79
07/10/2025	194,738.68	255,551.26	(60,812.58)	170,319.41	(54,743.75)
01/10/2026	494,187.69	363,937.57	130,250.12		115,890.01
07/10/2026	189,198.88	150,024.21	39,174.67	169,424.79	34,450.85
01/10/2027	189,198.88	151,746.17	37,452.71		32,554.02
07/10/2027	189,198.54	150,004.10	39,194.44	76,647.15	33,672.29
	4,015,624.23	3,128,539.99	887,084.24	887,084.24	821,873.75

Savings Summary

PV of savings from cash flow	821,873.75
Less: Prior funds on hand	(695,141.01)
	126,732.74
Net PV Savings	126,732.74

SAVINGS

Groveland Community Services District Refunding of 2014 Water Revenue Bonds

<i>Date</i>	<i>Prior Debt Service</i>	<i>Refunding Debt Service</i>	<i>Savings</i>	<i>Annual Savings</i>	<i>Present Value to 01/10/2021 @ 2.3500001%</i>
07/10/2021	189,198.87	150,875.14	38,323.73	38,323.73	37,878.66
01/10/2022	189,198.88	151,650.13	37,548.75		36,681.67
07/10/2022	189,198.87	150,100.14	39,098.73	76,647.48	37,752.26
01/10/2023	189,198.87	151,668.46	37,530.41		35,817.10
07/10/2023	189,198.87	150,081.81	39,117.06	76,647.47	36,897.77
01/10/2024	189,198.87	151,687.21	37,511.66		34,972.53
07/10/2024	189,198.87	150,063.06	39,135.81	76,647.47	36,063.00
01/10/2025	189,198.88	151,706.41	37,492.47		34,147.46
07/10/2025	189,198.87	150,043.86	39,155.01	76,647.48	35,247.51
01/10/2026	189,198.88	151,726.07	37,472.81		33,341.42
07/10/2026	189,198.88	150,024.21	39,174.67	76,647.48	34,450.85
01/10/2027	189,198.88	151,746.17	37,452.71		32,554.02
07/10/2027	189,198.54	150,004.10	39,194.44	76,647.15	33,672.29
	2,459,585.03	1,961,376.77	498,208.26	498,208.26	459,476.54

Savings Summary

PV of savings from cash flow	459,476.54
Less: Prior funds on hand	(378,519.80)
Net PV Savings	80,956.74

SAVINGS

Groveland Community Services District Refunding of 2013 Installment Sale Agreement

<i>Date</i>	<i>Prior Debt Service</i>	<i>Refunding Debt Service</i>	<i>Savings</i>	<i>Annual Savings</i>	<i>Present Value to 01/10/2021 @ 2.3500001%</i>
07/10/2021	25,849.03	106,105.74	(80,256.71)	(80,256.71)	(79,324.65)
01/10/2022	285,298.03	106,663.59	178,634.44		174,509.38
07/10/2022	21,049.23	105,547.90	(84,498.67)	94,135.77	(81,588.74)
01/10/2023	290,498.23	106,676.78	183,821.45		175,429.79
07/10/2023	16,064.42	105,534.72	(89,470.30)	94,351.15	(84,394.24)
01/10/2024	295,513.42	106,690.28	188,823.14		176,041.85
07/10/2024	10,894.61	105,521.22	(94,626.61)	94,196.53	(87,196.85)
01/10/2025	300,343.61	106,704.09	193,639.52		176,363.33
07/10/2025	5,539.81	105,507.40	(99,967.59)	93,671.93	(89,991.25)
01/10/2026	304,988.81	212,211.50	92,777.31		82,548.59
07/10/2026				92,777.31	
	1,556,039.20	1,167,163.22	388,875.98	388,875.98	362,397.20

Savings Summary

PV of savings from cash flow	362,397.20
Less: Prior funds on hand	(316,621.21)
Net PV Savings	45,775.99

FORM 8038 STATISTICS

Groveland Community Services District 2021 Refunding Bonds

Dated Date 01/10/2021
Delivery Date 01/10/2021

<i>Bond Component</i>	<i>Date</i>	<i>Principal</i>	<i>Coupon</i>	<i>Price</i>	<i>Issue Price</i>	<i>Redemption at Maturity</i>
Term Bond:						
	07/10/2021	129,617.56	2.350%	100.000	129,617.56	129,617.56
	01/10/2022	131,915.56	2.350%	100.000	131,915.56	131,915.56
	07/10/2022	131,915.57	2.350%	100.000	131,915.57	131,915.57
	01/10/2023	135,033.90	2.350%	100.000	135,033.90	135,033.90
	07/10/2023	135,033.90	2.350%	100.000	135,033.90	135,033.90
	01/10/2024	138,225.95	2.350%	100.000	138,225.95	138,225.95
	07/10/2024	138,225.95	2.350%	100.000	138,225.95	138,225.95
	01/10/2025	141,493.46	2.350%	100.000	141,493.46	141,493.46
	07/10/2025	141,493.46	2.350%	100.000	141,493.46	141,493.46
	01/10/2026	144,838.21	2.350%	100.000	144,838.21	144,838.21
	07/10/2026	144,838.20	2.350%	100.000	144,838.20	144,838.20
	01/10/2027	148,262.01	2.350%	100.000	148,262.01	148,262.01
	07/10/2027	148,262.02	2.350%	100.000	148,262.02	148,262.02
Term Bond:						
	07/10/2021	93,297.97	2.350%	100.000	93,297.97	93,297.97
	01/10/2022	94,952.07	2.350%	100.000	94,952.07	94,952.07
	07/10/2022	94,952.07	2.350%	100.000	94,952.07	94,952.07
	01/10/2023	97,196.63	2.350%	100.000	97,196.63	97,196.63
	07/10/2023	97,196.63	2.350%	100.000	97,196.63	97,196.63
	01/10/2024	99,494.25	2.350%	100.000	99,494.25	99,494.25
	07/10/2024	99,494.25	2.350%	100.000	99,494.25	99,494.25
	01/10/2025	101,846.18	2.350%	100.000	101,846.18	101,846.18
	07/10/2025	101,846.18	2.350%	100.000	101,846.18	101,846.18
	01/10/2026	209,746.97	2.350%	100.000	209,746.97	209,746.97
		2,899,178.95			2,899,178.95	2,899,178.95

	<i>Maturity Date</i>	<i>Interest Rate</i>	<i>Issue Price</i>	<i>Stated Redemption at Maturity</i>	<i>Weighted Average Maturity</i>	<i>Yield</i>
Final Maturity	07/10/2027	2.350%	148,262.02	148,262.02		
Entire Issue			2,899,178.95	2,899,178.95	3.3665	2.3500%

Proceeds used for accrued interest	0.00
Proceeds used for bond issuance costs (including underwriters' discount)	25,000.00
Proceeds used for credit enhancement	0.00
Proceeds allocated to reasonably required reserve or replacement fund	0.00
Proceeds used to refund prior tax-exempt bonds	3,569,319.96
Proceeds used to refund prior taxable bonds	0.00
Remaining WAM of prior tax-exempt bonds (years)	3.4093
Remaining WAM of prior taxable bonds (years)	0.0000
Last call date of refunded tax-exempt bonds	01/10/2021

2011 Form 8038 Statistics

Proceeds used to currently refund prior issues	3,569,319.96
Proceeds used to advance refund prior issues	0.00
Remaining weighted average maturity of the bonds to be currently refunded	3.4093
Remaining weighted average maturity of the bonds to be advance refunded	0.0000

FORM 8038 STATISTICS

Groveland Community Services District 2021 Refunding Bonds

Refunded Bonds

<i>Bond Component</i>	<i>Date</i>	<i>Principal</i>	<i>Coupon</i>	<i>Price</i>	<i>Issue Price</i>
2013 Water Revenue Installment Sale Agreement:					
TERM	01/10/2022	259,449.00	3.700%	100.000	259,449.00
TERM	01/10/2023	269,449.00	3.700%	100.000	269,449.00
TERM	01/10/2024	279,449.00	3.700%	100.000	279,449.00
TERM	01/10/2025	289,449.00	3.700%	100.000	289,449.00
TERM	01/10/2026	299,449.00	3.700%	100.000	299,449.00
		1,397,245.00			1,397,245.00
2014 Water Revenue Bonds:					
TERM	07/10/2021	149,558.50	3.650%	100.000	149,558.50
TERM	01/10/2022	152,287.95	3.650%	100.000	152,287.95
TERM	07/10/2022	155,067.20	3.650%	100.000	155,067.20
TERM	01/10/2023	157,897.18	3.650%	100.000	157,897.18
TERM	07/10/2023	160,778.80	3.650%	100.000	160,778.80
TERM	01/10/2024	163,713.01	3.650%	100.000	163,713.01
TERM	07/10/2024	166,700.78	3.650%	100.000	166,700.78
TERM	01/10/2025	169,743.07	3.650%	100.000	169,743.07
TERM	07/10/2025	172,840.88	3.650%	100.000	172,840.88
TERM	01/10/2026	175,995.23	3.650%	100.000	175,995.23
TERM	07/10/2026	179,207.14	3.650%	100.000	179,207.14
TERM	01/10/2027	182,477.67	3.650%	100.000	182,477.67
TERM	07/10/2027	185,807.55	3.650%	100.000	185,807.55
		2,172,074.96			2,172,074.96
		3,569,319.96			3,569,319.96

	<i>Last Call Date</i>	<i>Issue Date</i>	<i>Remaining Weighted Average Maturity</i>
2013 Water Revenue Installment Sale Agreement	01/10/2021	02/21/2013	3.0716
2014 Water Revenue Bonds	01/10/2021	02/27/2014	3.6265
All Refunded Issues	01/10/2021		3.4093

LOAN AGREEMENT

This LOAN AGREEMENT (this “Loan Agreement”), dated as of January 10, 2021, is between MUNICIPAL FINANCE CORPORATION, a corporation duly organized and existing under the laws of the State of California (the “Corporation”), as lender, and the GROVELAND COMMUNITY SERVICES DISTRICT, a community services district duly organized and existing under the Community Services District Law of the State of California (the “District”), as borrower.

BACKGROUND:

1. The District owns and operates a system for the supply, treatment and distribution of water within the service area of the District (the “Water System”).
2. In order to provide funds to finance improvements to the Water System, the District previously incurred the following obligations (collectively, the “Prior Obligations”):
 - (a) Installment Sale Agreement dated as of February 1, 2013 between the District and the Groveland/Tuolumne Financing Authority; and
 - (b) Indenture of Trust dated as of February 1, 2014 between the District and The Bank of New York Mellon Trust Company, N.A. (Water Revenue Refunding Bonds, Series 2014);
3. The District has determined that it is in its best interests at this time to refinance the Prior Obligations and thereby realize interest savings, and in order to provide funds for that purpose the District has determined to borrow the amount of \$_____ from the Corporation as provided herein (the “Loan”), to be made in two installments in the amount of \$_____ (the “Series A Loan Installment”) and in the amount of \$_____ (the “Series B Loan Installment”).
4. The District is authorized to borrow amounts for the purpose of refinancing the Prior Obligations under the laws of the State of California, including the provisions of Article 10, Chapter 3, Part 1, Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code.
5. The repayment of the Loan will be payable from and secured by a pledge of and lien on the net revenues from the operation of the Water System as provided herein.

AGREEMENT:

In consideration of the foregoing and the material covenants hereinafter contained, the District and the Corporation formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS AND APPENDICES

SECTION 1.1. *Definitions.* All terms defined in this Section have the meanings herein specified for all purposes of this Loan Agreement.

“Additional Revenues” means, with respect to the issuance of any Parity Obligations, an allowance for Net Revenues arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such Parity Obligations but which, during all or any part of the latest Fiscal Year or such 12-month period, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, all as shown by the certificate or opinion of an independent certified public accountant employed by the District.

“Assignee” means (a) initially CN Financing, Inc., as assignee of certain rights of the Corporation hereunder, and (b) any other entity to whom the rights of the Corporation shall be assigned hereunder.

“Bond Counsel” means any attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income under Section 103 of the Tax Code.

“Closing Date” means January 10, 2021, being the date of execution and delivery of this Loan Agreement by the parties hereto, as first set forth above.

“Corporation” means Municipal Finance Corporation, a corporation duly organized and existing under the laws of the State of California, and its successors and assigns. Whenever in this Loan Agreement any reference is made to the Corporation and such reference concerns rights which the Corporation has assigned to the Assignee, such reference shall be deemed to refer to the Assignee.

“Determination of Taxability” means and shall be deemed to have occurred on the first to occur of the following:

(i) on the date when the District files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have occurred;

(ii) on the date when the Corporation notifies the District that it has received a written opinion from Bond Counsel to the effect that an Event of Taxability has occurred, which notice shall be accompanied by a copy of such opinion of Bond Counsel, unless, within 180 days after receipt by the District of such notification and copy of such opinion from the Corporation, the District shall deliver to the Corporation a ruling or determination letter issued to or on behalf of the District by the Commissioner or any District Director of the Internal Revenue Service (or any other governmental official exercising the same or a substantially similar function from time to time) to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

(iii) on the date when the District shall be advised in writing by the Commissioner or any District Director of the Internal Revenue Service (or any other government official or agent exercising the same or a substantially similar function from time to time) that, based upon any review or audit or upon any other ground whatsoever, an Event of Taxability has occurred; or

(iv) on the date when the District shall receive notice from the Corporation that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed the interest on the Loan Repayments as includable in the gross income of the Corporation due to the occurrence of an Event of Taxability, provided that the Corporation has provided a copy of document(s) received from the Internal Revenue Service to the District;

provided, however, that no Determination of Taxability shall occur under subparagraph (iii) or subparagraph (iv) above unless the District has been afforded the opportunity, at its expense, to contest any such assessment, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined; *provided further, however,* that upon demand from the Corporation following an event listed in subparagraphs (i), (ii), (iii) or (iv), the District shall reimburse the Corporation for any payments, including any taxes, interest, penalties or other charges, Corporation shall be obligated to make to the Internal Revenue Service as a result of the Determination of Taxability.

“District” means the Groveland Community Services District, a community services district formed under the Community Services District Law of the State of California (constituting Division 3 of Title 6 of the California Government Code, commencing with Section 61000).

“Event of Default” means any of the events of default as defined in Section 5.1.

“Event of Taxability” means any action taken or not taken by the District which has the effect of causing interest paid or payable on the Loan Repayments to be includable, in whole or in part, in the gross income of the holder of the Loan Repayments for federal income tax purposes.

“Federal Securities” means any direct general non-callable obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or obligations the timely payment of principal of and interest on which are directly guaranteed by the United States of America.

“Fiscal Year” means each twelve-month period during the Term commencing on July 1 in any calendar year and ending on June 30 in the next succeeding calendar year, or any other twelve-month period selected by the District as its fiscal year period.

“Gross Revenues” means all gross charges received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Water System or otherwise arising from the Water System, including but not limited to (a) connection charges and (b) earnings on the investment of the foregoing.

“Loan” means the loan which is made hereunder by the Corporation to the District in the principal amount of \$ _____, to be funded in two installments consisting of the Series A Loan Installment and the Series B Loan Installment.

“Loan Agreement” means this Loan Agreement, as it may be amended in accordance with its terms.

“Loan Repayment Date” means January 10 and July 10 in each year, commencing July 10, 2021 and continuing to and including the date on which the Loan Repayments are paid in full.

“Loan Repayments” means all payments required to be paid by the District under Section 3.4, including any prepayment thereof under Sections 6.1 or 6.2.

“Maintenance and Operation Costs” means the reasonable and necessary costs and expenses paid by the District for maintaining and operating the Water System, including but not limited to the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, and including but not limited to administrative costs of the District attributable to the Water System and the financing thereof. “Maintenance and Operation Costs” do not include (a) depreciation, replacement and obsolescence charges or reserves therefor, (b) amortization

of intangibles or other bookkeeping entries of a similar nature, (c) payments of principal of and interest on any Parity Obligations or other obligations of the District, and (d) costs of capital additions, replacements or improvements which are chargeable to a capital account.

“Maximum Annual Debt Service” means, as of the date of any calculation, the maximum sum obtained for the current or any future Fiscal Year during the Term by totaling the aggregate amount of (i) the Loan Repayments coming due in such Fiscal Year, and (ii) the principal and interest coming due and payable in such Fiscal Year on any Parity Obligations which are payable from the Net Revenues, including the principal amount coming due and payable by operation of mandatory sinking fund redemption. There shall be excluded from such calculation any principal of and interest on any obligations which have been defeased or discharged, or for the payment of which a security deposit has been posted.

“Net Revenues” means, for any period, an amount equal to all of the Gross Revenues received from the Water System during such period, minus the amount required to pay all Maintenance and Operation Costs of the Water System which are payable during such period.

“Prior Obligations” means, collectively, the following obligations of the District incurred to finance improvements to the Water System:

- (a) Installment Sale Agreement dated as of February 1, 2013 between the District and the Groveland/Tuolumne Financing Authority; and
- (b) Indenture of Trust dated as of February 1, 2014 between the District and The Bank of New York Mellon Trust Company, N.A. (Water Revenue Refunding Bonds, Series 2014).

“Series A Loan Installment” means the installment of the Loan made by the Corporation to the District in the original principal amount of \$_____ under Section 3.1(a).

“Series B Loan Installment” means the installment of the Loan made by the Corporation to the District in the original principal amount of \$_____ under Section 3.1(b).

“Taxable Rate” means (a) with respect to the Series A Loan Installment, 6.00%, and (b) with respect to the Series B Loan Installment, 6.00%.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

“Term of this Loan Agreement” or “Term” means the time during which this Loan Agreement is in effect, as provided in Section 3.3.

“2013 Installment Sale Agreement” means that certain Installment Sale Agreement dated as of February 1, 2013 between the District and the Groveland/Tuolumne Financing Authority.

“2014 Indenture” means that certain Indenture of Trust dated as of February 1, 2014 between the District and The Bank of New York Mellon Trust Company, N.A. (Water Revenue Refunding Bonds, Series 2014).

“Water Revenue Fund” means the “Water Revenue Fund” which the District has heretofore established pursuant to Section 3.6(a) for the receipt and deposit of Gross Revenues derived from the Water System.

“Water System” means the District’s system for the supply, treatment and distribution of water within the service area of the District.

SECTION 1.2. *Appendix.* The following Appendix is attached to, and by reference made a part of, this Loan Agreement:

APPENDIX A: The schedule of Loan Repayments to be paid by the District hereunder, showing the date and amount of each Loan Repayment.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

SECTION 2.1. *Representations, Covenants and Warranties of District.* The District represents, covenants and warrants to the Corporation as follows:

- (a) Due Organization and Existence. The District is a community services district and political subdivision of the State of California, duly organized and existing under the Community Services District Law of the State of California.
- (b) Authorization and Enforceability. The laws of the State of California authorize the District to enter into this Loan Agreement, to enter into the transactions contemplated hereby and to carry out its obligations hereunder, and the Board of Directors of the District has duly authorized the execution and delivery of this Loan Agreement. This Loan Agreement constitutes the legal, valid and binding agreement of the District enforceable against the District in accordance with its terms.
- (c) No Violations. Neither the execution and delivery of this Loan Agreement, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrances whatsoever upon any of the property or assets of the District, other than as set forth herein.
- (d) Prior Indebtedness. Except for the Prior Obligations to be paid and prepaid with the proceeds of the Loan, the District has not issued or incurred any obligations which are currently outstanding having any priority in payment out of the Gross Revenues or the Net Revenues over the payment of the Loan Repayments.
- (e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the District or of the voters of the District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Loan

Agreement, or the consummation of any transaction herein contemplated, except as have been obtained or made and as are in full force and effect.

- (f) No Litigation. To the best knowledge of the undersigned, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, educational or other governmental authority pending or, to the knowledge of the District, threatened against or affecting the District or the assets, properties or operations of the District which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Loan Agreement or upon the financial condition, assets, properties or operations of the District, and the District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, educational or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Loan Agreement or the financial conditions, assets, properties or operations of the District.
- (g) Rate Setting. The District is empowered to set rates, fees and charges for the services and facilities furnished by the Water System without review or approval by any state or local government agency.

SECTION 2.2. *Representations, Covenants and Warranties of Corporation*. The Corporation represents, covenants and warrants to the District as follows:

- (a) Due Organization and Existence. The Corporation is a corporation duly organized and existing under the laws of its jurisdiction of formation; has power to enter into this Loan Agreement; is possessed of full power to make the Loan as provided herein; and the governing board of the Corporation, or authorized designees thereof, has duly authorized the execution and delivery of this Loan Agreement.
- (b) Authorization. The laws of the State of California authorize the Corporation to enter into this Loan Agreement, to enter into the transactions contemplated hereby and to carry out its obligations hereunder, and the Board of Directors of the Corporation has duly authorized the execution and delivery of this Loan Agreement.
- (b) No Violations. Neither the execution and delivery of this Loan Agreement, nor the funding of the Loan, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any material agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under any of the foregoing.
- (c) No Assignments. Except as provided herein, the Corporation will not assign this Loan Agreement, its rights to receive Loan Repayments from the District, or its duties and obligations hereunder to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in this Section 2.2.
- (d) No Fiduciary Relationship. The Corporation is entering into this Loan Agreement with the District as an arm's length commercial transaction and is not acting in the capacity of a "Municipal Advisor" as such term is defined in Section 15B of the Securities

Exchange Act of 1934, as amended, and the related final rules, or otherwise serving as an agent or fiduciary of the District.

ARTICLE III

TERMS OF LOAN

SECTION 3.1. *Obligation to Make Loan; Amount of Loan.* The Corporation hereby agrees to lend to the District, and the District hereby agrees to borrow from the Corporation, the Loan in the principal amount of \$_____, under the terms and provisions set forth in this Loan Agreement. The Loan shall be made by the Corporation to the District in immediately available funds on the Closing Date. The Loan shall be funded concurrently in two separate installments as follows:

- (a) the Series A Loan Installment shall be funded in the amount of \$_____ and shall be applied as set forth in Section 3.2(a); and
- (b) the Series B Loan Installment shall be funded in the amount of \$_____ and shall be applied as set forth in Section 3.2(b).

SECTION 3.2. *Application of Loan Proceeds.* The Corporation hereby agrees on the Closing Date to apply the proceeds of the Loan as follows:

(a) Series A Loan Proceeds. Of the proceeds of the Series A Loan Installment, the Corporation shall (i) wire the amount of \$_____ in immediately available funds (together with \$_____ available from the debt service reserve fund held by the District, for a total payoff of \$_____) to or upon the order of the _____, in satisfaction of the District's obligations under the 2013 Installment Sale Agreement, and (ii) apply the remaining \$_____ to pay costs of issuance related to the Series A Loan Installment in accordance the following subsection (c).

(b) Series B Loan Proceeds. Of the proceeds of the Series B Loan Installment, the Corporation shall (i) wire the amount of \$_____ in immediately available funds (together with \$_____ available from the debt service reserve fund held by the District, for a total payoff of \$_____) to or upon the order of The Bank of New York Mellon Trust Company, N.A., in satisfaction of the District's obligations under the 2014 Indenture, and (ii) apply the remaining \$_____ to pay costs of issuance related to the Series B Loan Installment in accordance the following subsection (c).

(c) Payment of Costs of Issuance. As set forth in the foregoing clauses (a) and (b), a portion of the proceeds of the Series A Loan Installment and the Series B Loan Installment shall be applied to pay costs of issuance relating to the Loan. On the Closing Date, the Corporation shall pay such costs directly to the payees and in the amounts as set forth in a written request filed with the Corporation by the authorized officer of the District, upon which the Corporation may conclusively rely. Any amount of Loan proceeds not required for payment of such costs on the Closing Date shall be remitted to the District for deposit into the Water Revenue Fund and used for the purposes set forth in Section 3.6.

SECTION 3.3. *Term.* The Term of this Loan Agreement commences on the Closing Date, and ends on the date on which the Loan is paid in full or provision for such payment is made as provided herein.

SECTION 3.4. *Loan Repayments.*

(a) Payment of Principal and Interest. Subject to the remainder of this Section, the District hereby agrees to repay the Series A Loan Installment in the aggregate principal amount of \$ _____ together with interest (calculated at the rate of _____% on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof, and to repay the Series B Loan Installment in the aggregate principal amount of \$ _____ together with interest (calculated at the rate of _____% on the basis of a 360-day year of twelve 30-day months) on the unpaid principal balance thereof. Such payments shall be made in the respective amounts and on the respective Loan Repayment Dates specified in Appendix A. In the event the Series A Loan Installment or the Series B Loan Installment is prepaid, the Corporation shall file an amended schedule with the District showing the amount of each Loan Repayment coming due thereafter in respect of the Series A Loan Installment or the Series B Loan Installment, as the case may be.

(b) Prepayment. If the District prepays the Loan Repayments in full under Article VI, the District's obligations under this Loan Agreement shall thereupon cease and terminate, including but not limited to the District's obligation to pay Loan Repayments under this Section; subject however, to the provisions of Section 6.3 in the case of prepayment by application of a security deposit. If the District prepays the Loan in part but not in whole under Sections 6.1 or 6.2, the principal components of the remaining Loan Repayments shall be reduced on a pro rata basis.

(c) Default Rate. If an Event of Default under this Loan Agreement occurs, the District agrees to pay amounts due the Corporation with interest thereon, to the extent permitted by law, from the occurrence thereof to the applicable date of payment at the rate of 6% per annum.

(d) Taxable Rate. From and after an Event of Taxability, following a Determination of Taxability, the Loan shall bear interest at the Taxable Rate.

SECTION 3.5. *Nature of the District's Obligations.*

(a) Special Obligation. The District's obligation to pay the Loan Repayments is a special obligation of the District limited solely to the Net Revenues of the Water System and amounts on deposit in the Water Revenue Fund. Except as provided in subsection (b) of this Section, the District is not required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Loan Repayments, and no other funds or property of the District are liable for the payment of the Loan Repayments.

(b) Obligations Absolute. The obligation of the District to pay the Loan Repayments from the Net Revenues and the obligation of the District to perform and observe the other agreements contained herein, are absolute and unconditional and are not subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the District or the Corporation of any obligation to the District or otherwise with respect to the Water System, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Corporation. Until such time as all of the Loan Repayments have been fully paid or prepaid, the District:

- (i) will not suspend or discontinue payment of any Loan Repayments,
- (ii) will perform and observe all other agreements contained in this Loan Agreement, and
- (iii) will not terminate this Loan Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may

constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water System, the sale of the Water System, the taking by eminent domain of title to or temporary use of any component of the Water System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or the State of California or any political subdivision of either thereof or any failure of the Corporation to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement.

(b) Protection of Rights. If the Corporation fails to perform any such agreements on its part, the District may institute such action against the Corporation as the District deems necessary to compel performance so long as such action does not abrogate the obligations of the District contained in the preceding subsection (b). The District may, however, at the District's own cost and expense and in the District's own name or in the name of the Corporation prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to secure or protect the District's rights hereunder, and in such event the Corporation will cooperate fully with the District and take such action necessary to effect the substitution of the District for the Corporation in such action or proceeding if the District shall so request.

SECTION 3.6. Pledge and Application of Net Revenues and Water Revenue Fund.

(a) Establishment of Water Revenue Fund. The District has heretofore established the "Water Revenue Fund," which the District agrees to hold and maintain for the purposes and uses set forth herein during the Term of this Loan Agreement. The District shall deposit all Gross Revenues of the Water System in the Water Revenue Fund promptly upon the receipt thereof.

(b) Pledge. All of the Net Revenues and amounts on deposit in the Water Revenue Fund are hereby irrevocably pledged to the punctual payment of the Loan Repayments and any Parity Obligations. The Net Revenues and amounts on deposit in the Water Revenue Fund may not be used for any other purpose so long as the Loan Repayments remain unpaid; except that out of the Net Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by this Section. In accordance with Section 5451 of Title 1, Chapter 5.5 of the California Government Code, this pledge shall constitute a first and exclusive lien on the Net Revenues and such other moneys for the payment of the Loan Repayments and any Parity Obligations in accordance with the terms hereof and the terms of the instruments authorizing the issuance of any Parity Obligations.

(c) Transfers to Make Loan Repayments. All Net Revenues will be held by the District in the Water Revenue Fund in trust for the benefit of the Corporation and for the security of any Parity Obligations. The District shall withdraw from the Water Revenue Fund and transfer to the Corporation an amount of Net Revenues equal to the aggregate amount of the Loan Repayments and transfer to the appropriate payee thereof the debt service on any Parity Obligations when due and payable.

(d) Other Uses Permitted. The District shall manage, conserve and apply the Net Revenues in such a manner that all deposits required to be made under the preceding provisions of this Section will be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default has occurred and is continuing hereunder, the District may at any time and from time to time use and apply Net Revenues for (i) the acquisition and construction of improvements to the Water System, (ii) the prepayment of the Loan and any Parity Obligations, or (iii) any other lawful purpose of the District.

ARTICLE IV

COVENANTS OF DISTRICT

SECTION 4.1. *Release and Indemnification Covenants.* The District shall indemnify the Corporation and its officers, agents, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of the following:

- (a) the use, maintenance, condition or management of, or from any work or thing done on or about the Water System by the District,
- (b) any breach or default on the part of the District in the performance of any of its obligations under this Loan Agreement,
- (c) any intentional misconduct or negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Water System, and
- (d) any intentional misconduct or negligence of any lessee of the District with respect to the Water System.

No indemnification is made under this Section or elsewhere in this Loan Agreement for willful misconduct, gross negligence, or breach of duty under this Loan Agreement by the Corporation, its officers, agents, employees, successors or assigns.

SECTION 4.2. *Sale or Eminent Domain of Water System.* Except as provided herein, the District covenants that the Water System will not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole if such encumbrance, sale, lease, pledge, charge or other disposition would materially impair the ability of the District to pay the Loan Repayments or any Parity Obligations, or would materially adversely affect its ability to comply with the terms of this Loan Agreement or the documents authorizing the issuance of any Parity Obligations. The District shall not enter into any agreement which impairs the operation of the Water System or any part of it necessary to secure adequate Net Revenues to pay the Loan Repayments or any Parity Obligations, or which otherwise would impair the rights of the Corporation with respect to the Net Revenues. If any substantial part of the Water System is sold, the payment therefor must either (a) be used for the acquisition or construction of improvements and extensions or replacement facilities or (b) be applied to prepay outstanding obligations of the District relating to the Water System.

Any amounts received as awards as a result of the taking of all or any part of the Water System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the District, shall either (a) be used for the acquisition or construction of improvements and extension of the Water System, or (b) be applied to prepay outstanding obligations of the District relating to the Water System.

SECTION 4.3. *Insurance.* The District shall at all times maintain with responsible insurers all such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to the Water System. If any useful part of the Water System is damaged or destroyed, such part shall be restored to usable condition. All amounts collected from insurance against accident to or destruction of any portion of the Water System shall be used to repair or rebuild such damaged or destroyed portion of the Water System, and to the extent not so applied, shall be applied on a pro rata basis to pay the Loan and any Parity Obligations in the manner provided in this Loan

Agreement and in the documents authorizing such Parity Obligations. The District shall also maintain, with responsible insurers, worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the District and the Corporation. Any insurance required to be maintained hereunder may be maintained by the District in the form of self-insurance or in the form of participation by the District in a program of pooled insurance. The insurance required by this Section and provided by third party insurance carriers shall name the District and the Corporation as insured parties and the Corporation as loss payee and shall include a Corporation's loss payable endorsement for the benefit of the Corporation.

SECTION 4.4. *Records and Accounts.* The District shall keep proper books of records and accounts of the Water System, separate from all other records and accounts, in which complete and correct entries are made of all transactions relating to the Water System. Said books shall, upon prior request, be subject to the reasonable inspection of the Corporation.

The District shall cause the books and accounts of the Water System to be audited annually by an independent certified public accountant or firm of certified public accountants, not more than 270 days after the close of each Fiscal Year, and shall furnish a copy of such report to Corporation. The audit of the accounts of the Water System may be included as part of a general District-wide audit. In addition, the District shall provide the Corporation, within 30 days after adoption, a copy of its annual budget.

The District shall cause to be published annually, not more than 270 days after the close of each Fiscal Year, a summary statement showing the amount of Gross Revenues and the disbursements from Gross Revenues and from other funds of the District in reasonable detail. The District shall furnish a copy of the statement, upon reasonable written request, to the Corporation.

SECTION 4.5. *Rates and Charges.*

(a) Covenant Regarding Gross Revenues. The District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which (together with existing unencumbered fund balances which are maintained in the form of cash or cash equivalents, and which are lawfully available to the District for payment of any of the following amounts during such Fiscal Year) are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order:

- (i) All Maintenance and Operation Costs of the Water System estimated by the District to become due and payable in such Fiscal Year;
- (ii) The Loan Repayments and all principal of and interest on any Parity Obligations which are payable from the Net Revenues as they become due and payable during such Fiscal Year, without preference or priority; and
- (iii) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon or payable from the Gross Revenues of the Water System during such Fiscal Year.

(b) Covenant Regarding Net Revenues. In addition to the covenant set forth in the preceding clause (a) of this Section, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which (together with existing unencumbered fund balances which are maintained in the form of cash or cash equivalents, and which are lawfully available to the District for payment of any of the following amounts during such Fiscal Year) are

sufficient to yield Net Revenues which are at least equal to 115% of the Loan Repayments and any Parity Obligations which are payable from the Net Revenues, when and as the same come due and payable during such Fiscal Year.

SECTION 4.6. *No Priority for Additional Obligations.* The District may not issue or incur any bonds or other obligations having any priority in payment of principal or interest out of the Net Revenues over the Loan Repayments.

SECTION 4.7. *Issuance of Parity Obligations.* Except for obligations incurred to prepay or post a security deposit for the Loan in whole, the District may not issue or incur any Parity Obligations unless:

- (a) The District is not then in default under the terms of this Loan Agreement or the documents authorizing any Parity Obligations, and
- (b) The amount of such Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any more recent 12-month period selected by the District, in either case verified by a certificate or opinion of an independent certified public accountant employed by the District, plus (at the option of the District) the Additional Revenues, are at least equal to 115% of the amount of Maximum Annual Debt Service.
- (c) Notwithstanding the above, the District may incur debt payable from Net Revenues which is payable on a basis which is junior to the payment of the Loan Repayments.

SECTION 4.8. [Reserved]

SECTION 4.9. *Assignment by the Corporation.* The Corporation's rights under this Loan Agreement, including the right to receive and enforce payment of the Loan Repayments to be made by the District under this Loan Agreement, have been assigned to the Assignee pursuant to an Assignment Agreement.

The Corporation or the Assignee has the right to make an assignment of its interests herein, but no such assignment will be effective as against the District unless and until the Corporation files with the District written notice thereof. The District shall pay all Loan Repayments hereunder under the written direction of the Corporation named in the most recent assignment or notice of assignment filed with the District. During the Term, the District shall keep a complete and accurate record of all such notices of assignment.

SECTION 4.10. *Assignment by District.* Neither the Loan nor this Loan Agreement may be assigned by the District, other than to a public agency which succeeds to the interests of the District in and to the Water System and which (by operation of law, by contract or otherwise) becomes legally bound to all of the terms and provisions hereof.

SECTION 4.11. *Amendment of this Loan Agreement.* This Loan Agreement may be amended by the District and the Corporation by a written instrument evidencing such amendment.

SECTION 4.12. *Tax Covenants.*

(a) Generally. The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, the interest components of the Loan Repayments to become includable in gross income for federal income tax purposes.

(b) Private Activity Bond Limitation. The District shall assure that the proceeds of the Loan are not so used as to cause the Loan to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Tax Code.

(c) Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Loan Repayments to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

(d) No Arbitrage. The District shall not take, or permit or suffer to be taken, any action with respect to the proceeds of the Loan Repayments which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Loan Repayments to be “arbitrage bonds” within the meaning of Section 148(a) of the Tax Code.

(e) Small Issuer Exemption from Bank Nondeductibility Restriction. The District hereby designates this Loan Agreement for purposes of paragraph (3) of Section 265(b) of the Tax Code and represents that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Tax Code) from gross income for federal income tax purposes (excluding (i) private activity bonds, as defined in Section 141 of the Tax Code, except qualified 501(c)(3) bonds as defined in Section 145 of the Tax Code and (ii) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation), including this Loan Agreement, has been or will be issued by the District, including all subordinate entities of the District, during the calendar year 2021.

(f) Arbitrage Rebate. The District shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Loan.

(g) Acquisition, Disposition and Valuation of Investments. Except as otherwise provided in the following sentence, the District covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Loan Agreement, or otherwise containing gross proceeds of the Loan (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Agreement or the Tax Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code shall be valued at their present value (within the meaning of section 148 of the Tax Code).

For purposes of this subsection (g), the term “Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in

accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security – State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

SECTION 5.1. *Events of Default Defined.* The following are Events of Default under this Loan Agreement:

- (a) Failure by the District to pay any Loan Repayment or other payment required hereunder after the date on which such Loan Repayment or other payment becomes due, and the continuation of such failure for a period of 2 business days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation.
- (b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in the preceding clause (a) of this Section, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation; *provided, however*, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such 30-day period, the Corporation may not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the District within such 30-day period and diligently pursued until the default is corrected.
- (c) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.
- (d) The occurrence of any event of default under and as defined in any documents authorizing the issuance of any Parity Obligations that are issued and outstanding during the Term, and such event of default has not been cured within the timeframes provided in such documents.
- (e) Any representation or certification of the District made hereunder or in connection with this Loan Agreement shall have been incorrect or misleading when made.

SECTION 5.2. *Remedies on Default.* Upon the occurrence and during the continuation of an Event of Default, the Corporation may, at its option and without any further demand or notice:

- (a) declare all principal components of the unpaid Loan Repayments, together with accrued interest thereon from the immediately preceding Loan Repayment Date on which payment was made, to be immediately due and payable, whereupon the same will immediately become due and payable; and
- (b) take whatever action at law or in equity may appear necessary or desirable to collect the Loan Repayments then due or thereafter to become due during the Term, or enforce performance and observance of any obligation, agreement or covenant of the District under this Loan Agreement.

The provisions of the preceding clause (a) are subject to the condition that if, at any time after the principal components of the unpaid Loan Repayments have been so declared due and payable under the preceding clause (a), and before any judgment or decree for the payment of the moneys due have been obtained or entered, the District deposits with the Corporation a sum sufficient to pay all principal components of the Loan Repayments coming due prior to such declaration and all matured interest components (if any) of the Loan Repayments, with interest on such overdue principal and interest components calculated at the rate of 8% per annum, and a sum sufficient to pay all reasonable costs and expenses incurred by the Corporation in the exercise of its rights and remedies hereunder, and any and all other defaults known to the Corporation (other than in the payment of the principal and interest components of the Loan Repayments due and payable solely by reason of such declaration) have been made good, then, and in every such case, the Corporation may, by written notice to the District, 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.

SECTION 5.3. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Corporation is exclusive, and every such remedy is cumulative and in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default impairs any such right or power or operates as a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article V it is not necessary to give any notice, other than such notice as may be required in this Article V or by law.

SECTION 5.4. *Agreement to Pay Attorneys' Fees and Expenses.* If either party to this Loan Agreement defaults under any of the provisions hereof and the non-defaulting party employs attorneys (including in-house counsel) or incurs other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party will on demand therefor pay to the non-defaulting party the reasonable fees of such attorneys (including those of in-house counsel) and such other expenses so incurred by the non-defaulting party.

SECTION 5.5. *No Additional Waiver Implied by One Waiver.* If any agreement contained in this Loan Agreement is breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

SECTION 5.6. *Assignee to Exercise Rights.* Such rights and remedies as are given to the Corporation under this Article V have been assigned by the Corporation to the Assignee and shall be exercised solely by the Assignee.

ARTICLE VI

PREPAYMENT OF LOAN

SECTION 6.1. *Optional Prepayment.* The Series A Loan Repayments and Series B Loan Repayments are not subject to optional prepayment.

SECTION 6.2. *Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain.* The District shall prepay the unpaid principal balance of the Loan in whole on any date, or in part on any Loan Repayment Date, from and to the extent District determines to apply any proceeds of insurance award or condemnation award with respect to the Water System for such purpose under Sections 4.2 or 4.3 at a price equal to the principal amount to be prepaid, without premium. The District and the Corporation hereby agree that such proceeds, to the extent remaining after payment of any delinquent Loan Repayments, shall be credited towards the District's obligations under this Section.

ARTICLE VII

MISCELLANEOUS

SECTION 7.1. *Notices.* Any notice, request, complaint, demand or other communication under this Loan Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by facsimile or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by facsimile or other form of telecommunication, (b) 48 hours after deposit in the United States of America first class mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Corporation or the District may, by written notice to the other party, from time to time modify the address or number to which communications are to be given hereunder.

If to the District: Groveland Community Services District
18966 Ferretti Road; PO Box 350
Groveland, California 95321
Attention: General Manager

If to the Corporation: Municipal Finance Corporation
2945 Townsgate Road, Suite 200
Westlake Village, California 91361
Attention: President

If to the Assignee: CN Financing, Inc.
555 South Flower Street, 21st Floor
Los Angeles, California 90071
Attention: Loan Administration

SECTION 7.2. *Binding Effect.* This Loan Agreement inures to the benefit of and is binding upon the Corporation and the District and their respective successors and assigns.

SECTION 7.3. *Severability.* If any provision of this Loan Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

SECTION 7.4. *Net-net-net Contract.* This Loan Agreement is a “net-net-net” contract, and the District hereby agrees that the Loan Repayments are an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever.

SECTION 7.5. *Further Assurances and Corrective Instruments.* The Corporation and the District shall, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the expressed intention of this Loan Agreement.

SECTION 7.6. *Execution in Counterparts.* This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 7.7. *Applicable Law.* This Loan Agreement shall be governed by and construed in accordance with the laws of the State of California.

SECTION 7.8. *Captions.* The captions or headings in this Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Loan Agreement.

Section 7.9 *Servicing; Appointment of Servicer.* The Assignee may engage a servicer, and collaterally assign some or all of its rights under this Loan Agreement, to act on behalf of the Assignee under this Loan Agreement as the “Servicer”. The Assignee may at any time and from time to time terminate or remove and replace any such Servicer. The Assignee shall give written notice to the District of its appointment, termination, removal or replacement of any Servicer, and the parties may rely on any such notice until any subsequent notice is given. Initially, the Assignee has engaged City National Bank to act as the Servicer hereunder and City National Bank has accepted such engagement. The Assignee is under no obligation to appoint a Servicer; if at any time a Servicer has not been designated by the Assignee, any references to the “Servicer” herein shall refer to the Assignee. Any opinion or certificate provide for herein that is directed to the Servicer shall also be directed to, and may be relied upon by, the Assignee.

The Assignee shall be solely responsible for providing the funding for the Loan under Section 3.1 of this Loan Agreement. From and after the Closing Date, if the Assignee has appointed a Servicer for the Assignee under this Loan Agreement, the District acknowledges and agrees that the Servicer shall exercise all of the rights and remedies of the Assignee under this Loan Agreement, shall receive all reports, statements, notices and other communications from the District on behalf of the Assignee required to be delivered to the Assignee under this Loan Agreement and shall be entitled to all of the protections afforded the Assignee under this Loan Agreement.

IN WITNESS WHEREOF, the Corporation has caused this Loan Agreement to be executed in its corporate name by its duly authorized officer and the District has caused this Loan Agreement to be executed in its name by its duly authorized officer, as of the date first above written.

MUNICIPAL FINANCE CORPORATION

By _____
President

GROVELAND COMMUNITY SERVICES DISTRICT

By _____
President of the Board

Attest:

Secretary of the Board

APPENDIX A

SCHEDULE OF LOAN REPAYMENTS

Loan Repayment Date	Series A Loan Principal	Series A Loan Interest	Series B Loan Principal	Series B Loan Interest	Total Loan Repayment
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RESOLUTION NO. 53-2020

**AUTHORIZING THE EXECUTION AND DELIVERY OF AN LOAN AGREEMENT, AND
AUTHORIZING AND DIRECTING CERTAIN ACTIONS IN CONNECTION WITH THE
REFINANCING OF PRIOR OBLIGATIONS**

WHEREAS, the Groveland Community Services District (the "District") is a community services district duly organized and existing under and pursuant to the laws of the State of California; and

WHEREAS, the District previously entered into an Installment Sale Agreement dated as of February 1, 2013 between the District and the Groveland/Tuolumne Financing Authority and issued water revenue refunding bonds pursuant to an Indenture of Trust dated as of February 1, 2014 between the District and the Bank of New York Mellon Trust Company (collectively, the "Prior Obligations") for the purpose of refinancing certain water system improvements; and

WHEREAS, Municipal Finance Corporation (the "Corporation") has proposed to enter into an Loan Agreement (the "Loan Agreement") with the District to prepay and refinance the Prior Obligations; and

WHEREAS, the District is authorized to borrow amounts for the purpose of refinancing the Prior Obligations under the laws of the State of California, including the provisions of Section 53570 of the California Government Code; and

WHEREAS, in accordance with California Government Code Section 5852.1, the Board of Directors has obtained and disclosed in the information set forth in Exhibit A hereto;

NOW, THEREFORE, it is resolved by the Board of Directors of the Groveland Community Services District as follows:

SECTION 1. Loan Agreement. The form of Loan Agreement submitted to this meeting, on file with the Secretary, and made a part hereof as though set forth herein is hereby approved. The President of the Board of Directors, the General Manager or a designee in writing (each, an "Authorized Officer") is hereby authorized to execute and deliver the Loan Agreement with the Corporation to refinance the Prior Agreement, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, with the advice and approval of District Counsel, and the execution thereof by an Authorized Officer shall be conclusive evidence of such approval. In connection therewith, the District approves the execution and delivery of the Loan Agreement so long as the interest rate of the Loan Repayments (as defined in the Loan Agreement) does not exceed 2.35%, the principal amount of the Loan Repayments does not exceed \$2,899,178.95 and the maturity of the Loan Repayments does not exceed July 10, 2027.

SECTION 2. Other Actions. The President of the Board of Directors, the General Manager and other officers of the District are each hereby authorized and directed, jointly and severally, to take any and all actions and to execute and deliver any and all documents, agreements and certificates which they may deem necessary or advisable in order to carry out, give effect to and comply with the terms of this Resolution and the Loan Agreement, including providing notice of prepayment and redemption of the Prior Obligations. Such actions are hereby ratified, confirmed and approved.

SECTION 3. Qualified Tax-Exempt Obligations. The Loan is hereby designated as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The District, together with all subordinate entities of the District, do not reasonably expect to issue during the calendar year in which the Loan is issued more than \$10,000,000 of obligations which it could designate as "qualified tax-exempt obligations" under Section 265(b) of the Code.

SECTION 4. Effect. This Resolution shall take effect immediately upon its passage.

PASSED, APPROVED AND ADOPTED this 8th day of December, 2020, by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

Approved:

President of the Board

Attest:

Secretary of the Board

EXHIBIT A

GOVERNMENT CODE SECTION 5852.1 DISCLOSURE

The following information consists of estimates that have been provided by the Corporation, which have been provided to the District in good faith:

- (A) True interest cost of the Loan: 2.35%
- (B) Finance charge of the Loan (sum of all costs of issuance and fees/charges paid to third parties): \$25,000.00
- (C) Net proceeds to be received (net of finance charges, reserves and capitalized interest, if any): \$2,874,178.95
- (D) Total payment amount through maturity: \$3,128,539.99