



BOARD MEETING AGENDA SUBMITTAL

TO: GCSB Board of Directors

FROM: Peter Kampa, General Manager

DATE: July 12, 2022

SUBJECT: Agenda Item 7B: Adoption of a Resolution Approving Certain Lease Financing Documents Relating to Mary Laveroni Park Capital Improvements, and Authorizing and Directing Actions with Respect Thereto

RECOMMENDED ACTION:

Staff recommends the following action:

I Move to adopt Resolution 31-2022 Approving Certain Lease Financing Documents Relating to Mary Laveroni Park Capital Improvements and Authorizing and Directing Actions with Respect Thereto.

BACKGROUND:

The district was awarded state funding for the Groveland Asset Rehabilitation and Beautification Project in the amount of \$1,369,527, of which 75% or \$1,027,145 is in the form of a grant. The project, its merits and costs were discussed at our June board meeting where the board authorized securing financing for the local cost match in the amount of \$342,382. The purpose of this agenda item is to authorize the execution of documents related to the financing of this portion of the project cost.

The attached site lease and lease agreement are currently under review by district legal counsel and are presented herein for your approval by resolution.

ATTACHMENTS:

1. Resolution 31-2022
2. Site lease leasing the property to the Municipal Finance Corporation
3. Lease agreement leasing the property to the District from Municipal Finance Corporation

RESOLUTION NO. 31-2022

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE GROVELAND
COMMUNITY SERVICES DISTRICT APPROVING CERTAIN LEASE
FINANCING DOCUMENTS RELATING TO MARY LAVERONI PARK
CAPITAL IMPROVEMENTS, AND AUTHORIZING AND DIRECTING
ACTIONS WITH RESPECT THERETO**

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

WHEREAS, Municipal Finance Corporation (the “Corporation”), as consultant to the CSDA Finance Corporation Lease Program, has made a lease purchase financing proposal to provide financing to the District in the amount of \$350,000 over a ten year period at a 4.10% interest rate; and

WHEREAS, in order to provide funds for the financing of the acquisition, construction and installation of certain improvements to real property of the District consisting of park improvements (the “Project”), the District will lease certain real property owned by the District (the “Site”) to the Corporation under a Site Lease, currently dated as of July 12, 2022, (the “Site Lease”) between the District and the Corporation and the Corporation will lease the Site to the District under a Lease Agreement, currently dated as of July 12, 2022 (the “Lease Agreement”) between the Corporation and the District; and

WHEREAS, there have been presented at this meeting forms of the Site Lease and the Lease Agreement; and

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

WHEREAS, the Board of Directors approves all of said transactions in furtherance of the public purposes of the District and wishes at this time to authorize all proceedings relating to the financing of the Project.

NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors of the Groveland Community Services District as follows:

Section 1. Approval of Site Lease and Lease Agreement. The Board hereby approves the financing plan outlined above. To that end, the Board hereby approves the Site Lease, between the District and the Corporation, and the Lease Agreement between the Corporation and the District, in substantially the forms on file with the Secretary of the Board, together with any changes therein or additions thereto deemed advisable by the President of the Board or the General Manager (each, a “District Representative”). A District Representative is hereby authorized and directed for and in the name and on behalf of the District to execute the final forms of the Site Lease and Lease Agreement.

Section 2. Material Terms of Lease Agreement. The Lease Agreement shall be for a term that does not extend beyond August 1, 2032 (unless extended in the event of abatement of Lease Payments or default), the interest rate does not exceed 4.10% and the maximum principal amount of the Lease Payments does not exceed \$350,000.

Section 3. Authorization to Establish Project Fund. The Board of Directors hereby authorizes and directs the President of the Board, the General Manager or a designee in writing to make appropriate

arrangements to establish a special fund into which the proceeds of the financing are deposited for the purpose of paying the costs of the Project.

Section 4. Bank Qualified. The Lease Payments due under the Lease Agreement are hereby designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. The Board of Directors hereby finds and determines that the aggregate face amount of all tax-exempt obligations (other than private activity bonds) issued by the District (and all subordinate entities thereof) during calendar year 2022 is not expected to exceed \$10,000,000.

Section 5. Reimbursement of Prior Expenditures. The District declares its official intent to be reimbursed from the proceeds of the Lease Agreement approved hereby for a maximum principal amount of \$350,000 of expenditures occurring no earlier than sixty days prior to the adoption of this Resolution. All reimbursed expenditures will be capital expenditures as defined in Section 1.150-1(b) of the Federal Income Tax Regulations.

Section 6. Official Actions. The President of the Board, the General Manager and all other officers of the District are each authorized and directed in the name and on behalf of the District to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate any of the transactions contemplated by the agreements and documents approved pursuant to this Resolution. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 7. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

I hereby certify that the foregoing Resolution was passed and adopted by the Board of Directors of the Groveland Community Services District, at a regular meeting thereof duly held on the 12th day of July, 2022, by a majority vote of all of its Directors.

ADOPTED by the following votes:

AYES:

NOES:

ABSENT:

APPROVE:

By _____
Spencer Edwards, Board President

ATTEST:

By: _____
Rachel Pearlman, Board Secretary

CERTIFICATE OF SECRETARY

I, Rachel Pearlman, the duly appointed and acting Secretary of the Board of Directors of the Groveland Community Services District, do hereby declare that the foregoing Resolution was duly passed and adopted at a Regular Meeting of the Board of Directors of the Groveland Community Services District, duly called and held on July 12, 2022.

DATED: _____

APPENDIX 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 Lease: 4.10%
- (B) Finance charge of the Lease (sum of all costs of issuance and fees/charges paid to third parties): \$8,500.00
- (C) Net proceeds to be received (net of finance charges, reserves and capitalized interest, if any): \$341,500.00
- (D) Total payment amount through maturity: \$433,669.10

PLEASE RECORD, AND
WHEN RECORDED, RETURN TO:

Municipal Finance Corporation
2945 Townsgate Road, Suite 200
Westlake Village, CA 91361

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX
PURSUANT TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE.
THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383
OF THE CALIFORNIA GOVERNMENT CODE.

SITE LEASE

Dated as of July 1, 2022

by and between the

**GROVELAND COMMUNITY SERVICES DISTRICT,
as Lessor**

and

**MUNICIPAL FINANCE CORPORATION,
as Lessee**

**GROVELAND COMMUNITY SERVICES DISTRICT
2022 Financing Lease**

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EXHIBIT A DESCRIPTION OF LEASED PROPERTY A-1

SITE LEASE

This SITE LEASE, dated for convenience as of July 12, 2022, by and between the GROVELAND COMMUNITY SERVICES DISTRICT, a community services district duly organized and existing under the laws of the State of California, as lessor (the "District"), and MUNICIPAL FINANCE CORPORATION, a corporation duly formed, organized and acting pursuant to the laws of the State of California (the "Corporation"), as lessee; and

WITNESSETH:

WHEREAS, in order to raise funds to finance the acquisition, construction and equipping of certain facilities in the District (the "Project") the District will, pursuant to this Site Lease, lease to the Corporation its Groveland Community Services District park properties, located at _____, Groveland, California, as more particularly described on Exhibit A attached hereto, or any property substituted therefor in accordance with Section 8.3(a) of the unrecorded Lease Agreement (the "Leased Property");

WHEREAS, the Corporation proposes to lease the Leased Property back to the District pursuant to an unrecorded Lease Agreement, dated as of July 12, 2022 (the "Lease Agreement"), between the Corporation, as lessor, and the District, as lessee, a Memorandum of which is recorded concurrently herewith, and to assign its right to receive lease payments under the Lease Agreement (the "Lease Payments"), its right to enforce payment of the Lease Payments and otherwise to enforce its interests and rights under the Lease Agreement in the event of a default thereunder by the District, to Westamerica Bank, a state banking corporation, including its successors and assigns (the "Assignee"), pursuant to that certain Assignment Agreement, dated as of July 12, 2022, by and between the Corporation and the Assignee, and recorded concurrently herewith;

WHEREAS, the proceeds of the Assignment will be applied to: (i) finance the costs of the Project; and (ii) pay costs of issuance incurred in connection with the execution, delivery and sale of the Lease.

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions. All terms specifically defined in the Lease Agreement shall have the same respective meanings when used herein. In addition, the following terms defined in this Section 1.01 shall have the respective meanings herein set forth when used herein.

"Assignee" means Westamerica Bank, a state banking corporation, and its successors and assigns.

"Lease Agreement" means the Lease Agreement, dated as of July 12, 2022, by and between the Corporation, as lessor, and the District, as lessee, together with any duly authorized and executed amendments thereto.

"Leased Property" has the meaning given to said term in the recitals.

"Permitted Encumbrances" means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent; (ii) the Assignment Agreement; (iii), this Site Lease and the Lease Agreement; (iv) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (v) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date on which the Lease Agreement is delivered to the Assignee and which the District certifies in writing will not materially impair the use of the Leased Property; and (vi) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the District certifies in writing will not materially impair the use or reduce the value of the Leased Property.

"Site Lease" means this Site Lease, together with any duly authorized and executed amendments hereto.

"Site Lease Payment" means the payment required to be paid by the Corporation on the Closing Date pursuant to Section 3.03.

Section 1.02. Article and Section Headings. Unless otherwise specified, references to Articles, Sections, and other subdivisions of this Site Lease are to be designated Articles, Sections, and other subdivisions of this Site Lease as originally executed. The headings or titles of the several Articles and Sections, and the table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

Section 1.03. References to Agreement. The words "hereof", "herein", "hereunder", and words of similar import refer to this Site Lease as a whole.

Section 1.04. Number and Gender. The singular form of any word used herein, including terms defined as provided in Section 1.01, shall include the plural, and vice versa. The use of a word of any gender shall include all genders.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.01. Representations, Covenants and Warranties of the District. The District represents, covenants and warrants to the Corporation as follows:

(a) Due Organization and Existence. The District is a community services district duly organized and existing under the laws of the State.

(b) Authorization. The laws of the State authorize the District to enter into this Site Lease and to enter into the transactions contemplated by and to carry out its obligations under this Site Lease, and the District has duly authorized and executed this Site Lease.

(c) No Violations. Neither the execution and delivery of this Site Lease 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 Leased Property or assets of the District, or upon the Leased Property, except Permitted Encumbrances.

Section 2.02. Representations, Covenants and Warranties of the Corporation. The Corporation represents, covenants and warrants to the District as follows:

(a) Due Organization and Existence. The Corporation is a corporation duly formed, operating and existing under the laws of the State; has power to enter into the Site Lease; is possessed of full power to lease real and personal property; and has duly authorized the execution and delivery of this Site Lease.

(b) Authorization. The laws of the State authorize the Corporation to enter into this Site Lease and to enter into the transactions contemplated by and to carry out its obligations under this Site Lease, and the Corporation has duly authorized and executed this Site Lease.

(c) No Violations. Neither the execution and delivery of this Site Lease or 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 Corporation is now a party or by which the Corporation is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the Leased Property or assets of the Corporation, or upon the Leased Property, except Permitted Encumbrances.

ARTICLE III

AGREEMENT TO LEASE; TERM OF SITE LEASE; SITE LEASE PAYMENT

Section 3.01. Lease. The District hereby leases the Leased Property to the Corporation, and the Corporation hereby leases the Leased Property from the District, upon the terms and conditions set forth in this Site Lease.

Section 3.02. Term. The term of this Site Lease shall commence on the Closing Date and shall end on July 12, 2032, unless such term is extended as hereinafter provided. If on July 12, 2032, the Lease Agreement shall not be discharged by its terms, then the Term of this Site Lease shall be extended until the Lease Agreement shall be discharged by its terms (but in no event beyond July 12, 2042). If prior to July 12, 2032, the Lease Agreement shall be discharged by its terms, the Term of this Site Lease shall thereupon end.

Section 3.03. Site Lease Payment. The Corporation hereby agrees to pay to the District, as rental for the use and occupancy of the Leased Property during the term of this Site Lease, the amount of \$350,000, which shall be deposited with the District and the Corporation on the Closing Date in accordance with Section 3.1 of the Lease Agreement.

Section 3.04. Title. Fee title to the Leased Property shall reside in the District, and during the term of this Site Lease, the District shall hold fee title to the Leased Property and any and all additions which comprise fixtures, repairs, replacements or modifications to the Leased Property, including those fixtures, repairs, replacements or modifications which are added to the Leased Property by the District at its own expense and which may be removed without damaging the Project and including any items added to the Leased Property by the District pursuant to Section 5.9 of the Lease Agreement.

Section 3.05. No Merger. It is the express intention of the parties hereto that this Site Lease and the obligations of the parties hereunder shall be and remain separate and distinct from the Lease Agreement and the obligations of the parties thereunder, and that during the term of the Lease no merger of title or interest occur or be deemed to occur as a result of the position of the District as lessee under the Lease Agreement and as lessor under this Site Lease, or the position of the Corporation as lessee under this Site Lease.

ARTICLE IV

EMINENT DOMAIN; NET PROCEEDS

Section 4.01. Eminent Domain. If all of the Leased Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of this Site Lease shall cease as of the day possession shall be so taken. If less than all of the Leased Property shall be taken permanently, or if all of the Leased Property or any part thereof shall be taken temporarily, under the power of eminent domain, this Site Lease shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary.

Section 4.02. Application of Net Proceeds. The Net Proceeds of any insurance award resulting from any damage to or destruction of the Leased Property or any improvements thereon by fire or other casualty, and the Net Proceeds of any eminent domain award resulting from any event described in Section 4.01 hereof, shall be applied as set forth in Section 6.2 of the Lease Agreement. All such Net Proceeds shall be paid to the District or the Assignee as their interests may appear under the Lease Agreement, and the Corporation hereby waives any and all right, title and interest which it may have in and to any such Net Proceeds by virtue of its estate in the Leased Property under this Site Lease.

ARTICLE V
MISCELLANEOUS

Section 5.01. Liens. The Corporation shall not, directly or indirectly, create, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, other than the respective rights of the Corporation and the District as herein provided and the Permitted Encumbrances.

Section 5.02. Assignment and Subleasing by the Corporation. For the purpose of providing funds to enable the Corporation to pay the Site Lease Payment on the Closing Date, the Corporation has leased the Leased Property to the District pursuant to the Lease Agreement. The Corporation shall not have the right to further sublease or to assign any of its interests under this Site Lease in and to the Leased Property or any portion thereof.

Section 5.03. Amendment. Without the prior written consent of the Assignee, the Corporation and the District will not alter, modify or cancel, or agree or consent to alter, modify or cancel this Site Lease.

Section 5.04. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received 48 hours after deposit in the United States mail in registered or certified form with postage fully prepaid:

If to the District: Groveland Community Services District
 18966 Ferretti Road
 Groveland, CA 95321
 Attention: General Manager
 Telephone: (209) 962-7161

If to the Corporation: Municipal Finance Corporation
 2945 Townsend Road, Suite 200
 Westlake Village, CA 91361
 Attention: President
 Telephone: (805) 719-1236

If to the Assignee: Westamerica Bank
 PO Box 1200
 Suisun City, CA 94585-1200
 Attention: Credit Administration
 Telephone: (707) 863-6002

The Corporation, the Assignee and the District, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 5.05. Binding Effect. This Site Lease shall inure to the benefit of and shall be binding upon the Corporation and the District and their respective successors and assigns.

Section 5.06. Severability. In the event any provision of this Site Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 5.07. Further Assurances and Corrective Instruments. The Corporation and the District agree that they will, 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 correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be or for carrying out the expressed intention of this Site Lease.

Section 5.08. Execution in Counterparts. This Site Lease 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 5.09. Applicable Law. This Site Lease shall be governed by and construed in accordance with the laws of the State.

Section 5.10. Corporation and District Representatives. Whenever under the provisions of this Site Lease the approval of the Corporation or the District is required, or the Corporation or the District is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by a Corporation Representative and for the District by a District Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 5.11. Captions. The captions or headings in this Site Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Site Lease.

Section 5.12. Third Party Beneficiary. The Assignee is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

* * * * *

IN WITNESS WHEREOF, the District has caused this Site Lease to be executed in its name by its duly authorized officers; and the Corporation has caused this Site Lease to be executed in its name by its duly authorized officers, as of the date first above written.

**GROVELAND COMMUNITY SERVICES
DISTRICT,**
as lessor

By: _____
General Manager

MUNICIPAL FINANCE CORPORATION,
as lessee

By: _____
Stefan A. Morton
Vice President

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____ before me, _____, Notary Public,

personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose names(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

(Seal)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____ before me, _____, Notary Public,
personally appeared _____, who
proved to me on the basis of satisfactory evidence to be the person(s) whose names(s) is/are
subscribed to the within instrument and acknowledged to me that he/she/they executed the
same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the
instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the
instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal

SIGNATURE OF NOTARY PUBLIC

(Seal)

EXHIBIT A

DESCRIPTION OF LEASED PROPERTY

LEGAL DESCRIPTION

The land referred to herein below is situated in the County of Tuolumne, State of California and is described as follows:

LEASE AGREEMENT

Dated as of July 12, 2022

by and between the

**MUNICIPAL FINANCE CORPORATION,
as Lessor**

and the

**GROVELAND COMMUNITY SERVICES DISTRICT,
as Lessee**

**GROVELAND COMMUNITY SERVICES DISTRICT
2022 Financing Lease**

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LEASE AGREEMENT

This LEASE AGREEMENT (this "Lease Agreement"), dated for convenience as of July 12, 2022, is by and between MUNICIPAL FINANCE CORPORATION, a corporation duly organized and existing under the laws of the State of California, as lessor (the "Corporation"), and the GROVELAND COMMUNITY SERVICES DISTRICT, a community services district organized and existing under the laws of the State of California, as lessee (the "District").

WITNESSETH:

WHEREAS, in order to raise funds to finance the acquisition, construction and installation of certain capital improvements at the District (the "Project"), the District will, pursuant to a Site Lease, dated as of July 12, 2022 (the "Site Lease"), between the District, as lessor, and the Corporation, as lessee, lease to the Corporation that certain property comprising the Groveland Community Services District park properties, located at _____, California, or any property substituted therefor in accordance with Section 8.3(a) of this Lease Agreement (the "Leased Property");

WHEREAS, the Corporation proposes to lease the Leased Property back to the District pursuant to this Lease Agreement, and to assign certain of its rights and interests hereunder to Westamerica Bank, a California state banking corporation, including its successors and assigns (the "Assignee"), pursuant to that certain Assignment Agreement, dated as of July 12, 2022 (the "Assignment Agreement"), by and between the Corporation and the Assignee, and recorded concurrently herewith;

WHEREAS, the proceeds of the assignment under the Assignment Agreement will be applied to: (i) finance the costs of the Project; and (ii) pay Costs of Issuance incurred in connection with the execution and delivery of the Lease Agreement.

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.1. Definitions. The terms defined in Exhibit A attached hereto and by this reference incorporated herein, as used and capitalized herein, shall, for all purposes of this Lease Agreement, have the meanings ascribed to them in said Exhibit A unless the context clearly requires some other meaning.

Section 1.2. Exhibits. The following exhibits are attached to, and by this reference made a part of, this Lease Agreement:

- Exhibit A: Definitions.
- Exhibit B: The description of the Leased Property.
- Exhibit C: The Schedule of Lease Payments to be paid by the District hereunder with respect to the Leased Property, showing the Lease Payment Date and amount of each such Lease Payment.

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES

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

(a) *Due Organization and Existence*. The District is a community services district duly organized and validly existing under the laws of the State, has full legal right, power and authority under the laws of the State to enter into this Lease Agreement and the Site Lease, and to carry out and consummate all transactions on its part contemplated hereby and thereby, and by proper action the District has duly authorized the execution and delivery of this Lease Agreement and the Site Lease.

(b) *Due Execution*. The representatives of the District executing this Lease Agreement and the Site Lease have been fully authorized to execute the same pursuant to a resolution duly adopted by the Board of Directors of the District.

(c) *Valid, Binding and Enforceable Obligations*. This Lease Agreement and the Site Lease have been duly authorized, executed and delivered by the District and constitute the legal, valid and binding obligations of the District enforceable against the District in accordance with their respective terms.

(d) *No Conflicts*. The execution and delivery of this Lease Agreement and the Site Lease, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, do not and will not conflict with or constitute a violation or

breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the District is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the District, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement and the Site Lease, or the financial condition, assets, properties or operations of the District.

(e) *Consents and Approvals.* No consent or approval of any trustee or holder of any indebtedness 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 Lease Agreement and the Site Lease, or the consummation of any transaction on the part of the District herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) *No Litigation.* There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the District after reasonable investigation, 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 on the part of the District contemplated by or the validity of this Lease Agreement and the Site Lease, or upon the financial condition, assets, properties or operations of the District and the District's ability to make the Lease Payments, 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, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions on the part of the District contemplated by this Lease Agreement and the Site Lease, or the financial conditions, assets, properties or operations of the District and the District's ability to make the Lease Payments.

(g) *Condition of Leased Property.* The District is the owner in fee of title to the Leased Property. As of the Closing Date the Leased Property is in sound condition, free and clear of all liens and encumbrances other than Permitted Encumbrances, and free of all defects that would render it unfit for occupancy by the District. All buildings and other structures that are situated on the Leased Property have been constructed in full conformity with all applicable building codes, including all applicable seismic requirements.

(h) *District's Financial Position.* The statement of financial position of the District as of June 30, 2021, and the related statement of activities and statement of cash flows and changes in financial position for the year then ended and the auditors' reports with respect thereto, copies of which have heretofore been furnished to the Assignee, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of the

District at such date and for such period, and were prepared in accordance with generally accepted accounting principles. Since the period of such statements, there has been no (i) change which would have a Material Adverse Effect and (ii) no material increase in the indebtedness of the District.

(i) *No Default.* The District has not defaulted or failed to appropriate funds for any of its financial obligations.

(j) *Qualified Tax-Exempt Obligations.* The District is a qualified small issuer (within the meaning of section 265(b)(3)(B) of the Code). This Lease Agreement and the Lease Payments are hereby designated qualified tax-exempt obligations for purposes of section 265(b) of the Code.

(k) *Use of the Leased Property, Essentiality.* During the Term of this Lease, the Leased Property will be used by the District only for the purpose of performing one or more governmental or proprietary functions of the District consistent with the permissible scope of the District's authority. The Leased Property is essential to the District's efficient and economic operations and the lease thereof for use by the District is in the best interest of the District.

(l) *Hazardous Substances.* Other than the storage and use of products and materials that may be considered Hazardous Substances in the ordinary course of the District's operation of the Leased Property for its intended purpose, the Leased Property is otherwise free of Hazardous Substances, and the District is in full compliance with all Applicable Environmental Laws.

(m) *Flooding Risk.* The Leased Property is not located in a flood hazard area and has never been subject to material damage from flooding.

(n) *Value of Property.* The insured value of the Leased Property (insured and/or assessed value) as improved by the Project is not less than \$350,000.

(o) *Useful Life of Leased Property.* The Leased Property has a remaining useful life that extends to at least July 12, 2042.

(p) *Role of the Assignee.* The District acknowledges that:

(1) the Assignee is acting solely as assignee of the Corporation's interests in the Lease Agreement for its own loan account and not as a fiduciary for the District or in the capacity of broker, dealer, municipal securities underwriter, placement agent, or municipal advisor;

(2) the Assignee has not provided, and will not provide, financial, legal (including securities law), tax, accounting or other advice to or on behalf of the District (including to any placement agent engaged by the District) with respect to the structuring of the financing or the execution and delivery of this Lease Agreement;

(3) the Assignee has no fiduciary duty pursuant to section 15B of the Securities Exchange Act of 1934, as amended, to the District

with respect to the transactions relating to the structuring of the financing or the execution and delivery of this Lease Agreement and the discussions, undertakings, and procedures leading thereto;

(4) each of the District and its placement agent has sought and shall seek and obtain financial, legal (including securities law), tax, accounting and other advice (including as it relates to structure, timing, terms and similar matters) with respect to the lease financing transaction from its financial, legal, and other advisors (and not the Assignee or its affiliates) to the extent that the District or its placement agent desires to, should, or needs to obtain such advice;

(5) the Assignee has expressed no view regarding the legal sufficiency of its representations for purposes of compliance with any legal requirements applicable to any other party, including but not limited to the District's placement agent, or the correctness of any legal interpretation made by counsel to any other party, including but not limited to counsel to the District's placement agent, with respect to any such matters; and

(6) the transactions between the District and the Assignee are arm's length, commercial transactions in which the Assignee is acting and has acted solely as a principal and for its own interest, and the Assignee has not made recommendations to the District with respect to the transactions relating to this Lease Agreement.

(q) All information, reports and other papers and data furnished by the District to the Assignee were, at the time the same were so furnished, complete and accurate in all material respects and insofar as necessary to give the Assignee a true and accurate knowledge of the subject matter and were provided in expectation of the Assignee's reliance thereon in entering into the transactions contemplated by this Lease Agreement. No fact is known to the District which has had or, so far as the District can now reasonably foresee, may in the future have a Material Adverse Effect, which has not been set forth in the financial statements previously furnished to the Assignee or in other such information, reports, papers and data or otherwise disclosed in writing to the Assignee prior to the Closing Date. Any financial, budget and other projections furnished to the Assignee by the District or its or their agents were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of the conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this representation, represent the District's best estimate of the District's future financial performance. No document furnished nor any representation, warranty or other written statement made to the Assignee in connection with the negotiation, preparation or execution of this Lease Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state (as of the date made or furnished) any material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were or will be made, not misleading.

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

(a) *Due Organization and Existence.* The Corporation is a corporation, organized and existing under and by virtue of the laws of the State; has power to enter into the Site Lease, this Lease Agreement and the Assignment Agreement; is possessed of full power to own and hold, improve and equip real and personal property and to lease and sell the same; has duly authorized the execution and delivery of all of the aforesaid agreements and such agreements constitute the legal, valid and binding agreements of the Corporation, enforceable against the Corporation in accordance with their respective terms.

(b) *No Encumbrances.* The Corporation has not pledged and will not pledge the Lease Payments or other amounts derived from the Leased Property, and from its other rights under this Lease Agreement and has not mortgaged or encumbered and will not mortgage or encumber the Leased Property, except as expressly provided under the terms of the Site Lease, this Lease Agreement and the Assignment Agreement.

(c) *No Violations.* Neither the execution and delivery of the Site Lease, this Lease Agreement or the Assignment Agreement, the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Corporation, or upon the Leased Property, except Permitted Encumbrances.

(d) *No Assignments.* Except pursuant to the Assignment Agreement, the Corporation will not assign this Lease Agreement, its right to receive Lease Payments 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.

(e) *Execution and Delivery.* The Corporation has duly authorized and executed this Lease Agreement in accordance with all applicable laws.

(f) *Consents and Approvals.* No consent or approval of any trustee or holder of any indebtedness of the Corporation, 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 Lease Agreement, the Site Lease and the Assignment Agreement, or the consummation of any transaction on the part of the Corporation herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(g) *No Litigation.* There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other

governmental authority pending or, to the knowledge of the Corporation after reasonable investigation, threatened against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation or its interests, would have a material and adverse effect upon the consummation of the transactions on the part of the Corporation contemplated by or the validity of this Lease Agreement, the Site Lease or the Assignment Agreement, or upon the financial condition, assets, properties or operations of the Corporation, and the Corporation is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Lease Agreement, the Site Lease or the Assignment Agreement, or the financial conditions, assets, properties or operations of the Corporation.

(h) *Maintenance of Corporate Existence.* To the extent permitted by law, the Corporation agrees that during the Term hereof it will maintain its existence as a corporation and will not dissolve.

(i) *Not a Fiduciary of the District.* The Corporation is not acting as a fiduciary or a "Municipal Advisor" as such term is defined in Section 15(b) of the Securities and Exchange Act of 1934, as amended.

ARTICLE III

DEPOSIT OF MONEYS

Section 3.1. Deposit of Moneys; Payment of Costs of Issuance.

- (a) On the Closing Date, the Assignee shall cause to be deposited with the District for deposit in the Project Fund, proceeds of the Assignment in the amount of \$341,500.
- (b) On the Closing Date, the Assignee shall pay Costs of Issuance of \$8,500 to the Corporation.

Section 3.2. Project Fund.

- (a) The District shall establish and maintain an account that is designated as the "Project Fund".
- (b) Except as otherwise provided herein, moneys in the Project Fund shall be used solely for the payment of (or reimbursement to the District for) the costs of the Project. The District shall maintain accurate records showing the expenditures of moneys funded by Assignee.
- (c) The District shall invest proceeds in the Project Fund in investments authorized by California law and the District's investment policy. Any unexpended proceeds in the Project Fund upon the completion of the Project shall be applied by the District towards the payment of the Lease Payments.
- (d) It is expressly understood and agreed that the Assignee shall be under no liability of any kind or character whatsoever for the payment of any cost of the Project except for the funds deposited in the Project Fund pursuant to the immediately preceding Section and that all such costs and expenses shall be paid by the District.

SECTION 3.3. Construction of the Project. The District hereby agrees with due diligence to supervise and provide for the acquisition and construction of the Project in accordance with the plans and specifications, purchase orders, construction contracts and other documents relating thereto and approved by the District under all applicable requirements of law. The failure by the District to complete the Project by its expected completion date shall not constitute an Event of Default hereunder or a grounds for termination hereof. The District shall maintain accurate records identifying the Project and each component thereof. Upon the completion of the Project, the District shall file a certificate executed by a District Representative with the Assignee stating that the Project have been completed and identifying the amount (if any) to be retained in the Project Fund to pay remaining costs of the Project.

ARTICLE IV

AGREEMENT TO LEASE; TERM OF THIS LEASE AGREEMENT; LEASE PAYMENTS

Section 4.1. Lease. The Corporation hereby leases the Leased Property to the District, and the District hereby leases the Leased Property from the Corporation, upon the terms and conditions set forth in this Lease Agreement. The leasing of the Leased Property by the Corporation to the District pursuant to this Lease Agreement shall not effect or result in a merger of the subleasehold estate of the District and the fee interest of the District in the Leased Property.

Section 4.2. Term of Agreement. The Term of this Lease Agreement shall commence on the Closing Date, and shall end on July 1, 2030, unless such term is extended as hereinafter provided. If, on July 1, 2030, this Lease Agreement shall not be discharged by its terms or if the Lease Payments payable hereunder shall have been abated at any time and for any reason, and not otherwise paid from rental interruption insurance or other sources, or the District shall have defaulted in its payment of Lease Payments hereunder or any Event of Default has occurred and continues without cure by the District, then the Term of this Lease Agreement shall be extended until there has been deposited with the Assignee an amount sufficient to pay all obligations due under this Lease Agreement, but in no event shall the Term of this Lease Agreement extend beyond July 1, 2040. The provisions of this Section 4.2 are subject to the provisions of Section 6.1 relating to the taking in eminent domain of the Leased Property or any portion thereof.

Section 4.3. Possession. The Corporation has agreed to lease the Leased Property from the District on the Closing Date under and pursuant to the Site Lease. The District hereby agrees to accept and take possession of the Leased Property, pursuant to this Lease Agreement, on the Closing Date. The first Lease Payment shall be due on July 12, 2023.

Section 4.4. Lease Payments.

(a) *Obligation to Pay*. Subject to the provisions of Articles VI and X, the District agrees to cause the payment to the Corporation, its successors and assigns, as rental for the use and occupancy of the Leased Property during each Rental Period, the Lease Payments (denominated into components of principal and interest (with interest of 4.10% per annum calculated on a 30/360 basis; all interest payable under this Lease Agreement is computed using this method, subject to there being no Event of Default or Event of Taxability)) in the respective amounts specified in Exhibit C hereto, to be due and payable in immediately available funds on the respective Lease Payment Dates specified in Exhibit C hereto.

The Lease Payment for the Leased Property payable during any Rental Period shall be for the use of the Leased Property for such Rental Period. All Lease Payments received shall be applied first to the interest components of the Lease Payments due hereunder, then to the principal components of the Lease Payments due hereunder, but no such application of any Lease Payments that are less than the total Lease Payment due and owing shall be deemed a waiver of any default hereunder.

(b) *Default Rate; Taxable Rate*. So long as there has occurred and is continuing an Event of Default, the interest under this Lease Agreement shall accrue, at the option of the Assignee, at the Default Rate.

From and after the Date of Taxability, if applicable, the interest rate with respect to the Lease Payments shall increase to the Taxable Rate. The District shall inform the Assignee promptly upon the occurrence of a Determination of Taxability.

(c) *Effect of Prepayment.* In the event that the District prepays all remaining Lease Payments in full pursuant to Article X, the District's obligations under this Lease Agreement shall thereupon cease and terminate including, but not limited to, the District's obligation to pay Lease Payments under this Section 4.4; subject however, to the provisions of Section 10.1 in the case of prepayment by application of a security deposit. In the event that the District prepays the Lease Payments in part but not in whole pursuant to Section 10.3 as a result of any insurance or condemnation award with respect to any portion of the Leased Property, such prepayment shall be credited entirely towards the prepayment of the Lease Payments as follows: (i) as directed by the District and if not directed then to the principal components in inverse order of payment date in integral multiples of \$1,000.00; and (ii) the interest component of each remaining Lease Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable on the principal component thereby prepaid.

(d) *Rate on Overdue Payments.* In the event the District should fail to make any of the payments required in this Section 4.4, and such nonpayment shall not be cured within 10 days of the Lease Payment Date such Lease Payment was due, the payment in default shall continue as an obligation of the District until the amount in default shall have been fully paid, and the District agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the Default Rate.

(e) *Fair Rental Value.* The Lease Payments for the Leased Property and the Additional Payments for each Rental Period shall constitute the total rental for the Leased Property for each such Rental Period and shall be paid by the District for each Rental Period for and in consideration of the right of the use and occupancy and the continued quiet use and enjoyment of the Leased Property during each Rental Period. The parties hereto have agreed and determined that the total Lease Payments for the Leased Property and the Additional Payments represent the fair rental value of the Leased Property. In making such determination, consideration has been given to the obligations of the parties under this Lease Agreement, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the District and the general public.

(f) *Source of Payments; Budget and Appropriation.* Lease Payments shall be payable from any source of available moneys of the District, subject to the provisions of Articles VI and X.

The District covenants to take such action as may be necessary to include all Lease Payments due hereunder in each of its budgets during the Term of this Lease Agreement and to make the necessary annual appropriations for all such Lease Payments. Annually, the District will furnish to the Assignee a copy of the adopted budget for the current Fiscal Year, and a certificate of the District Representative stating that the Lease Payments have been included in the final budget of the District for the current Fiscal Year, to the full extent required hereunder. Each such budget and certificate shall be filed within 30 days after the adoption of such budget and in any event no later than September 1 in the calendar year in which the District adopts such budget.

The covenants on the part of the District herein contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by the District.

(g) *Assignment.* The District understands and agrees that all Lease Payments have been assigned by the Corporation to the Assignee pursuant to the Assignment Agreement, and the District hereby assents to such assignment. The Corporation hereby directs the District, and the District hereby agrees to cause for the payment to the Assignee at the office of the Assignee, all payments payable by the District pursuant to this Section 4.4 and Section 4.7 and all amounts payable by the District pursuant to Article X.

Section 4.5. Quiet Enjoyment. During the Term of this Lease Agreement, the Corporation shall provide the District with quiet use and enjoyment of the Leased Property, and the District shall, during such Term, peaceably and quietly have and hold and enjoy the Leased Property without suit, trouble or hindrance from the Corporation. The Corporation will, at the request of the District and at the District's cost, join in any legal action in which the District asserts its right to such possession and enjoyment to the extent the Corporation may lawfully do so. Notwithstanding the foregoing, the Corporation shall have the right to inspect the Leased Property as provided in Section 7.2.

Section 4.6. Title. During the Term of this Lease Agreement, the District shall hold fee title to the Leased Property and, pursuant to this Lease Agreement, leasehold title to the Leased Property and the Corporation shall, pursuant to the Site Lease, hold leasehold title to the Leased Property and, in each case, any and all additions which comprise fixtures, repairs, replacements or modifications to the Leased Property, except for those fixtures, repairs, replacements or modifications which are added to the Leased Property by the District at its own expense and which may be removed without damaging the Leased Property pursuant to Section 5.9.

If the District prepays the Lease Payments in full pursuant to Article X or makes the security deposit permitted by Section 10.1, or pays all Lease Payments during the Term of this Lease Agreement as the same become due and payable, the Corporation's leasehold estate in the Leased Property, and all right, title and interest of the Corporation in and to the Leased Property, shall be terminated. The Corporation agrees to take any and all steps and execute and record any and all documents reasonably required by the District to consummate any such termination.

Section 4.7. Additional Payments. The District shall pay or cause to be paid, when due, all costs and expenses incurred by the District and the Corporation with respect to this Lease Agreement, including without limitation all Costs of Issuance, compensation, reimbursement and indemnification due to the Assignee, and all costs and expenses of the District and auditors, engineers, attorneys and accountants. In addition, the District agrees to pay as Additional Payments all of the following:

- (i) all taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Leased Property or upon any interest of the Corporation therein or in this Lease Agreement; provided, however, the District may, at the District's expense and in its name, in good faith contest any such

taxes and assessments and, in the event of such contest, may permit such taxes and assessments to remain unpaid during the period of such contest and appeal therefrom unless the Corporation shall notify the District that, in the opinion of Bond Counsel, by nonpayment of any such items, the interest of the Corporation in the Leased Property will be materially endangered or the Leased Property, or any portion thereof, will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes and assessments or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation;

(ii) insurance premiums, if any, on all insurance required under the provisions of Article V hereof; and

(iii) any other reasonable fees, costs or expenses incurred by the Corporation or the Assignee in connection with the execution, performance or enforcement of this Lease Agreement or any of the transactions contemplated hereby or related to the Leased Property, including, without limitation, any amounts which may become due; provided, however, the District shall not be responsible for any costs incurred by the Corporation associated with any assignment made by the Assignee.

Amounts constituting Additional Payments payable hereunder shall be paid by the District directly to the person or persons to whom such amounts shall be payable. The District shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Corporation to the District stating the amount of Additional Payments then due and payable and the purpose thereof.

Notwithstanding any other provision of this Section 4.7, the District shall pay such additional amounts of rent during any period only to the extent that any such payment, when added to Lease Payments due and owing during such period, will not exceed the fair rental value of the Leased Property for such period.

Section 4.8. No Withholding. Notwithstanding any dispute between the Corporation or the Assignee and the District or any default by the Corporation or the Assignee in any transaction with the District, the District shall make all Lease Payments when due and shall not withhold any Lease Payments pending the final resolution of such dispute or as a setoff against any claims of the District.

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; USE LIMITATIONS; AND OTHER MATTERS

Section 5.1. Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Lease Agreement, as part of the consideration for the rental of the Leased Property, all improvement, repair and maintenance of the Leased Property shall be the responsibility of the District, and the District shall pay, or otherwise arrange, for the payment of all utility services supplied to the Leased Property which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the District or any assignee or sublessee thereof. In exchange for the Lease Payments herein provided, the Corporation agrees to provide only the Leased Property, as hereinbefore more specifically set forth. The District waives the benefits of subsections 1 and 2 of section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the District under the terms of this Lease Agreement.

The District shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the District affecting the Leased Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of this Lease Agreement as and when the same become due.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the District that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Corporation in the Leased Property will be materially endangered or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation and the Assignee, and shall provide the Assignee with updates and such other information concerning such contest as the Assignee may request from time to time.

Section 5.2. Modification of Leased Property. The District shall, at its own expense, have the right to remodel the Leased Property or to make additions, modifications and improvements to the Leased Property. All additions, modifications and improvements to the Leased Property shall thereafter comprise part of the Leased Property and be subject to the provisions of this Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Leased Property, substantially alter its nature, cause the interest component of Lease Payments to be subject to federal income taxes or cause the Leased Property to be used for purposes other than those authorized under the provisions of State and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made thereto pursuant to this Section 5.2, shall be of a value which is not substantially less than the value of the Leased Property immediately prior to the making of such additions, modifications and improvements. The District will not permit any mechanic's or other lien to be established or remain against the Leased Property for labor or materials furnished in

connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the District pursuant to this Section 5.2; provided that if any such lien is established and the District shall first notify the Corporation of the District's intention to do so, the District may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the District. The District shall promptly notify the Assignee of any such lien and contest and shall provide the Assignee with updates and other such other information on such lien and contest as the Assignee may request.

Section 5.3. Public Liability and Property Damage Insurance. The District shall maintain or cause to be maintained, throughout the Term of this Lease Agreement, insurance policies, including a standard comprehensive general liability insurance policy or policies in protection of the District, the Corporation and the Assignee, including their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Leased Property. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the District, with the Assignee's written consent. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Section 5.4 Fire and Extended Coverage Insurance. The District shall maintain, or cause to be maintained throughout the Term of this Lease Agreement, insurance against loss or damage to any part of improvements constituting a portion of the Leased Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the lesser of (a) one hundred percent (100%) of the replacement cost of improvements constituting a portion of the Leased Property, or (b) the aggregate principal amount of the Lease Payments. Such policy may be subject to such deductibles as the District shall deem prudent, but in no event greater than \$50,000, and provided that such policy must expressly waive any co-insurance penalty. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried by the District and may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The Net Proceeds of such insurance shall be applied as provided in Section 6.2(a). The Assignee has consented to such insurance coverage maintained through Special Districts Risk Management Authority, a joint exercise of powers authority.

Section 5.5. Rental Interruption Insurance. The District shall maintain, or cause to be maintained, throughout the Term of this Lease Agreement rental interruption or use and

occupancy insurance to cover loss, total or partial, of the use of any part of the improvements constituting a portion of the Leased Property during the Term of this Lease Agreement as a result of any of the hazards covered in the insurance required by Section 5.4, in an amount at least equal to the maximum unpaid Lease Payments due in any twenty-four (24) month period. The Net Proceeds of such insurance shall be applied towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable. Rental interruption insurance may not be self-insured.

Section 5.6. Title Insurance. On or before the Closing Date, the District shall, at its expense to be paid from the Costs of Issuance, (a) cause a memorandum of this Lease Agreement, the Site and Facility Lease and the Assignment Agreement in form and substance approved by Bond Counsel, to be recorded in the office of the Tuolumne County Recorder with respect to the Leased Property, and (b) obtain a CLTA title insurance policy covering, and in the amount of not less than the aggregate principal amount of the Lease Payments, insuring the District's and the Assignee's leasehold estate in the Leased Property, subject only to Permitted Encumbrances. The Net Proceeds of such title insurance shall be applied as provided in Section 6.2(c).

Section 5.7. Insurance Net Proceeds; Form of Policies. Each policy or other evidence of insurance required by Sections 5.3, 5.4 and 5.5 shall list the Assignee as a loss payee or additional insured, as applicable, shall include a lender's loss payable endorsement for the benefit of the Assignee, shall provide that all proceeds thereunder shall be payable to the Assignee as and to the extent required hereunder and shall be applied as provided in Section 6.2, and shall contain a provision that the insurer shall not cancel or revise coverage thereunder without giving written notice to the insured parties at least 10 days before the cancellation or revision becomes effective. Except as otherwise provided herein, or as consented to by the Assignee, all required insurance policies shall be provided by a commercial insurer rated "A" by A.M. Best & Company or rated in one of the two highest rating categories by Moody's and S&P. The District shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement. The Assignee shall not be responsible for the sufficiency of any insurance herein required, including any forms of self-insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

Annually not later than August 1 in each year during the Term of this Lease Agreement, the District shall furnish or cause to be furnished to the Assignee evidence of all insurance policies required to be maintained by this Article V, which may consist of a certificate describing material terms of such policies.

In the event that any insurance maintained pursuant to Section 5.3 shall be provided in the form of self-insurance, then (a) the District shall maintain reserve balances with respect thereto which are held by an independent trustee, (b) such self-insurance program shall be maintained by the District on an actuarially sound basis, (c) the District shall obtain, and file with the Assignee annually not later than August 1 in each year, the opinion of an independent insurance consultant engaged by the District approving the program of self-insurance and stating that the reserve balances with respect thereto are sufficient, and (d) in the event the self-insurance program is discontinued at any time, the actuarial soundness of the reserve balances shall be maintained.

Section 5.8. Advances. If the District shall fail to perform any of its obligations under this Article V, the Corporation may, but shall not be obligated to, take such action as may be

necessary to cure such failure, including the advancement of money, and the District shall be obligated to repay all such advances as soon as possible, with interest at the Default Rate.

Section 5.9. Installation of District's Equipment. The District may, at any time and from time to time in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon any portion of the Leased Property. All such items shall remain the sole property of the District in which neither the Corporation nor the Assignee shall have any interest and may be modified or removed by the District at any time provided that the District shall repair and restore any and all damage to the Leased Property resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement shall prevent the District from purchasing or leasing items to be installed pursuant to this Section 5.9 under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Leased Property.

Section 5.10. Liens. The District and the Corporation shall not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Leased Property, other than the respective rights of the Corporation and the District as provided herein and Permitted Encumbrances. Except as expressly provided in this Article V, the District shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The District shall reimburse the Corporation for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Section 5.11. Private Activity Bond Limitation The District shall assure that proceeds of the Assignment of the Lease Payments are not so used as to cause this Lease Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

Section 5.12. 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 this Lease Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Section 5.13. No Arbitrage. The District shall not take, or permit or suffer to be taken by the Assignee or otherwise, any action with respect to the proceeds of this Lease Agreement 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 this Lease Agreement to be an "arbitrage bond" within the meaning of section 148 of the Code.

Section 5.14. Maintenance of Tax-Exemption. The District shall take all actions necessary to assure the exclusion of interest component of the Lease Payments from the gross income of the Assignee to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect from time to time.

Section 5.15. Small Issuer Exemption from Bank Nondeductibility Restriction. The District hereby designates the Lease Agreement for purposes of paragraph (3) of section 265(b) of the Tax Code and hereby covenants that (i) the Lease Agreement does not constitute private activity bonds as defined in section 141 of the Tax Code, and (ii) 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 taxes (excluding, however,

private activity bonds, as defined in section 141 of the Tax Code, other than qualified 501(c)(3) bonds as defined in section 145 of the Tax Code), including this Lease Agreement, have been or shall be issued by or on behalf of the District, including all subordinate entities of the District, during the calendar year 2022.

Section 5.16. Exemption from Rebate Requirement. The District is a governmental unit with the power to impose taxes of general applicability which, when collected, may be used for general purposes of the District; the Lease Agreement does not constitute private activity bonds within the meaning of section 141 of the Internal Revenue Code of 1986 (the "Code"); and 95% of the Net Sale Proceeds of the Lease Agreement are to be used for local governmental activities of the District. The aggregate face amount (or, issue prices, in the case of issues with a net original issue discount or net original issue premium in excess of 2% of the principal amount of the issue, excluding original issue premium used for reasonable underwriter's compensation) of all tax-exempt obligations (other than private activity bonds as defined in section 141 of the Code) issued by the District, including all subordinate entities of the District and all entities which may issue obligations on behalf of the District, during the calendar year during which the Lease Agreement is executed, is not reasonably expected to exceed \$5,000,000. By reason of the statements set forth in this paragraph, the District will not rebate excess investment earnings, if any, to the federal government.

Section 5.17. Environmental Covenants.

(a) Compliance with Laws; No Hazardous Substances. The District will comply with all Applicable Environmental Laws with respect to the Leased Property and will not (other than as necessary to perform its governmental purposes as a fire protection district) use, store, generate, treat, transport, or dispose of any Hazardous Substance thereon or in a manner that would cause any Hazardous Substance to later flow, migrate, leak, leach, or otherwise come to rest on or in the Leased Property.

(b) Notification of Assignee. The District will transmit copies of all notices, orders, or statements received from any governmental entity concerning violations or asserted violations of Applicable Environmental Laws with respect to the Leased Property and any operations conducted thereon or any conditions existing thereon to the Assignee, and the District will notify the Assignee in writing immediately of any release, discharge, spill, or deposit of any Hazardous Substance that has occurred or is occurring that in any way affects or threatens to affect the Leased Property, or the people, structures, or other property thereon, provided that no such notification shall create any liability or obligation on the part of the Assignee

(c) Access for Inspection. The District will permit the Assignee, its agents, or any experts designated by the Assignee to have full access to the Leased Property during reasonable business hours for purposes of such independent investigation of compliance with all Applicable Environmental Laws, provided that the Assignee has no obligation to do so, or any liability for any failure to do so, or any liability should it do so.

ARTICLE VI

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Section 6.1. Eminent Domain If all of the Leased Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Lease Payments shall be abated as of the day possession shall be so taken. If less than all of the Leased Property shall be taken permanently, or if all of the Leased Property or any part thereof shall be taken temporarily under the power of eminent domain, (1) this Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments hereunder, in an amount to be agreed upon by the District and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Property. The District hereby covenants and agrees to the extent it may lawfully do so that so long as any obligation under the Assignment Agreement to deliver to the Assignee any Lease Payments remains outstanding (even if no Lease Payments are then due), the District will not exercise the power of condemnation with respect to the Leased Property. The District further covenants and agrees to the extent it may lawfully do so that if for any reason the foregoing covenant is determined to be unenforceable or if the District should fail or refuse to abide by such covenant and condemns the Leased Property the appraised value of the Leased Property for purposes of any condemnation award shall not be less than the total amount of the principal component of the unpaid Lease Payments.

Section 6.2. Application of Net Proceeds.

(a) *From Insurance Award.* The Net Proceeds of any insurance award resulting from any damage to or destruction of any portion of the Leased Property by fire or other casualty shall be applied by the District, when received, to the prompt restoration and repair of the Leased Property.

(b) *From Title Insurance and Eminent Domain Award.* The Net Proceeds of any title insurance or eminent domain award resulting from any event described in Section 6.1 shall be paid by the District to the Assignee, as assignee of the Corporation under the Assignment Agreement, and applied to the prepayment of the Lease Payments in accordance with Section 10.3.

Section 6.3. Abatement of Lease Payments in the Event of Damage or Destruction. Lease Payments shall be abated during any period in which, by reason of damage or destruction (other than by eminent domain which is hereinbefore provided for), there is substantial interference with the beneficial use and occupancy by the District of the Leased Property or any portion thereof (other than any portions of the Leased Property described in Section 5.2), but not any specific portion of the Leased Property, as shall be agreed upon by the District and the Corporation. The parties agree that the amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in Exhibit C, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Leased Property not damaged or destroyed (giving due consideration to the factors identified in the last sentence of Section 4.4(e)), based upon the opinion of an MAI appraiser with expertise in valuing such properties or other appropriate

method of valuation (and as further described in the next paragraph), in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, this Lease Agreement shall continue in full force and effect and the District waives any right to terminate this Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments under this Section 6.3 to the extent that (a) the proceeds of rental interruption insurance are available to pay Lease Payments which would otherwise be abated under this Section 6.3, it being hereby declared that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

Section 6.4. Security Interest. As additional security for its obligations hereunder, the District hereby irrevocably grants to the Assignee a security interest in any and all Net Proceeds and the right of the District to receive the same. The District shall not cause or permit any other lien or security interest to exist thereon or any adverse claim to exist with respect thereto. Upon the occurrence of an Event of Default hereunder, the Assignee may exercise its rights and remedies as a secured creditor with respect thereto.

ARTICLE VII

DISCLAIMER OF WARRANTIES; ACCESS; NO DISCRIMINATION

Section 7.1. Disclaimer of Warranties. THE CORPORATION MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT OF THE LEASED PROPERTY OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY. IN NO EVENT SHALL THE CORPORATION OR ITS ASSIGNS BE LIABLE FOR INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH OR ARISING OUT OF THE ASSIGNMENT AGREEMENT OR THIS LEASE AGREEMENT FOR THE EXISTENCE, FURNISHING, FUNCTIONING OR THE DISTRICT'S USE OF THE LEASED PROPERTY.

Section 7.2. Access to the Leased Property. The District agrees that the Assignee, the Corporation and any Corporation Representative, and the Corporation's and the Assignee's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Leased Property. The District further agrees that the Assignee, the Corporation, any Corporation Representative, and the Corporation's and Assignee's successors or assigns, shall have such rights of access to the Leased Property as may be reasonably necessary to cause the proper maintenance of the Leased Property in the event of failure by the District to perform its obligations hereunder.

Section 7.3. Release and Indemnification Covenants. The District hereby agrees, to the extent permitted by law, to indemnify the Assignee, the Corporation and their respective trustees, officers, employees, agents, successors and assigns against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Leased Property by the District or any of its employees, agents, contractors, invitees or licensees, (b) any breach or default on the part of the District in the performance of any of its obligations under this Lease, (c) any negligence or willful misconduct of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Property, (d) any intentional misconduct or negligence of any sublessee of the District with respect to the Leased Property, (e) the use, presence, storage, disposal or clean-up of any Hazardous Substances or toxic wastes on the Leased Property or (f) the failure to comply with any Applicable Environmental Laws. No indemnification is made under this Section or elsewhere in this Lease for willful misconduct or gross negligence under this Lease Agreement by the Corporation, the Assignee or their respective officers, agents, employees, successors or assigns. The indemnity hereunder shall continue in full force and effect notwithstanding the full payment of all obligations under this Lease Agreement or the termination of the term of this Lease Agreement for any reason. The District and the Corporation each agree to promptly give notice to each other and the Assignee of any claim or liability hereby indemnified against promptly upon learning thereof.

ARTICLE VIII

ASSIGNMENT, SUBLEASING AND AMENDMENT

Section 8.1. Assignment by the Corporation. The Corporation's rights under this Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the District under this Lease Agreement, have been assigned to the Assignee pursuant to the Assignment Agreement.

Section 8.2. Assignment and Subleasing by the District. This Lease Agreement may not be assigned by the District. The District may sublease the Leased Property or any portion thereof subject to, and delivery to the Corporation of a certificate as to, all of the following conditions:

(a) The District shall have obtained the prior written consent of the Assignee to such sublease;

(b) This Lease Agreement and the obligation of the District to make Lease Payments hereunder shall remain obligations of the District;

(c) The District shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Assignee a true and complete copy of such sublease;

(d) No such sublease by the District shall cause the Leased Property to be used for a purpose other than as may be authorized under the provisions of the Constitution and laws of the State; and

(e) The District shall furnish the Corporation and the Assignee with a written opinion of nationally-recognized bond counsel, which shall be an Independent Counsel, stating that such sublease does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

If the District subleases the entire Leased Property and receives sublease rents therefor in any amount in excess of the Lease Payments, then the District shall remit such excess to the Assignee and the amounts so remitted shall be applied to prepayment of principal component of the Lease Payments in inverse order. If the District subleases a portion but not all of the Leased Property, then the District shall not be obligated to remit the sublease rents thereunder to the Assignee unless an Event of Default has occurred and is continuing, in which case the District shall remit all such sublease rents to the Assignee and the amounts so remitted shall be applied to prepayment of the principal component of the Lease Payments.

Section 8.3. Amendment of this Lease Agreement.

(a) *Substitution of Property.* The District shall have, and is hereby granted, the option at any time and from time to time during the Term of this Lease Agreement upon the occurrence of an uninsured casualty that destroys or materially damages the Leased Property to substitute other real property or improvements (a "Substitute Property") for the Leased Property (the "Former Property"), or a portion thereof, provided that the District shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such substitution:

(1) The District shall obtain the prior written consent of the Assignee, which consent shall not be unreasonably withheld;

(2) The District and the Corporation shall enter into an amendment to the Site Lease and Assignment Agreement, in form and substance reasonably acceptable to the Assignee, which adds to Exhibit A thereto a description of such Substitute Property and deletes therefrom the description of the Former Property, and shall cause the Site Lease and Assignment Agreement to be recorded against the Substitute Property;

(3) The District and the Corporation shall enter into an amendment to this Lease Agreement, in form and substance reasonably satisfactory to the Assignee, which adds to Exhibit B of this Lease Agreement a description of such Substitute Property and deletes therefrom the description of the Former Property, and cause this Lease Agreement to be recorded against the Substitute Property;

(4) The District delivers to the Assignee and the Corporation a written certificate that the remaining outstanding principal portion of the Lease Payments does not exceed 90% of the insured value of the Substitute Property;

(5) The Substitute Property shall (A) be unencumbered and unimpaired and title thereto shall otherwise be satisfactory to the Assignee in its sole discretion and (B) not cause the District to violate any of its covenants, representations and warranties made herein;

(6) The District shall obtain a new title insurance policy meeting the requirements of Section 5.6 of this Lease Agreement for the Substitute Property;

(7) The District shall certify that the Substitute Property is of the same or greater essentiality to the District as was the Former Property, and that the Substitute Property has a useful life extending at least to the final expiration date of this Lease Agreement;

(8) The District shall furnish the Corporation and the Assignee with a written opinion of nationally-recognized bond counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes; and

(9) The District and the Corporation shall have provided the Assignee with resolutions in form and substance satisfactory to the Assignee authorizing the District and the Corporation to execute and deliver the amendment to this Lease Agreement and the Site Lease as hereinabove provided and take all other action contemplated in this Section 8.3(a).

(b) *Release of Property.* The District shall have, and is hereby granted, the option at any time and from time to time during the Term of this Lease Agreement to release any portion of the Leased Property, provided that the District shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(i) The District shall obtain the prior written consent of the Assignee, which consent shall not be unreasonably withheld;

(ii) The District and the Corporation shall enter into an amendment to the Site Lease, in form and substance reasonably acceptable to the Assignee, which replaces Exhibit A thereto with a new description of the Leased Property that properly describes the Leased Property upon such release;

(iii) The District and the Corporation shall enter into an amendment to the this Lease Agreement, in form and substance reasonably acceptable to the Assignee, which replaces Exhibit B hereto with a new description of the Leased Property that properly describes the Leased Property upon such release;

(iv) The District delivers to the Assignee and the Corporation evidence, based upon an independent M.A.I. appraisal satisfactory to the Assignee in its sole discretion that complies with all applicable regulatory requirements and the Assignee's internal policies concerning appraisals, that the Leased Property, as revised by such release, is of equal or greater value than the then Outstanding principal component of the Lease Payments; and

(iv) The District shall obtain an amendment or endorsement to the title insurance policy required pursuant to Section 5.6 which describes the Leased Property, as revised by such release.

(c) *Generally.* Neither the District nor the Corporation will alter, modify or cancel, or agree or consent to alter, modify or cancel this Lease Agreement, except in connection with a substitution, additional rental or release permitted by this Section 8.3. For resolution of doubt, nothing in this Section 8.3 shall be construed to entitle the District to any reduction, diminution, extension or other modification of the Lease Payments whatsoever.

Section 8.4. Costs and Expenses Borne by District. All costs and expenses in connection with any of the acts associated with Sections 8.2 and 8.3 (including, but not limited to, any costs and expenses of the Assignee) shall be borne by the District.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.1. Events of Default Defined. The following shall be “events of default” under this Lease Agreement and the terms “Events of Default” and “Default” shall mean, whenever they are used in this Lease Agreement, with respect to the Leased Property, any one or more of the following events:

(a) Failure by the District to pay any Lease Payment or other payment required to be paid hereunder at the time specified herein.

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Lease Agreement, including failure to provide financial information referenced in Section 11.2(d), other than as referred to in subparagraph (a) of this Section 9.1, 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 the Corporation or the Assignee; *provided, however*, if the failure stated in the notice can be corrected, but not within the applicable period, the failure will not constitute an Event of Default if the District commences to cure the failure within such 30-day period and thereafter diligently and in good faith cures the failure within 30 days after such original 30-day period, unless the Assignee consents in writing to a longer period.

(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 Act, as amended, or under any similar acts which may hereafter be enacted.

(d) Any statement, representation or warranty made by the District in or pursuant to this Lease Agreement or its execution, delivery or performance is false, incorrect, misleading or breached in any material respect and the District fails to cure such breach within 10 days after written notification from the Corporation.

(e) Any default occurs under any other agreement for borrowing money, lease financing of property or otherwise receiving credit under which the District is an obligor, if such default arises under any other agreement for borrowing money, lease financing of property or provision of credit provided by the Assignee or any affiliate of the Assignee.

(f) Any default by the District to observe any covenant, condition or agreement on its part to be observed or performed under the Site Lease or this Lease Agreement.

(g) Any court of competent jurisdiction shall find or rule that the Site Lease or this Lease Agreement is not valid or binding against the District or the Corporation.

Section 9.2. Remedies on Default. Upon the occurrence and continuation of any Event of Default referred to in Section 9.1, the Default Rate shall apply, pursuant to Section 4.4(d) hereof. Whenever any Event of Default referred to in Section 9.1 shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement; *provided, however*, that notwithstanding anything herein to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant hereof to be kept and performed by the District is expressly made a condition and upon the breach thereof, the Corporation may exercise any and all rights of entry and re-entry upon the Leased Property, and also, at its option, with or without such entry, may terminate this Lease Agreement; provided, that no such termination shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided. In the event of such default and notwithstanding any re-entry by the Corporation, the District shall, as herein expressly provided, continue to remain liable for the payment of the Lease Payments and/or damages for breach of this Lease Agreement and the performance of all conditions herein contained and, in any event such rent and/or damages shall be payable to the Corporation at the time and in the manner as herein provided, to wit:

(a) In the event the Corporation does not elect to terminate this Lease Agreement in the manner hereinafter provided for in subparagraph (b) hereof, the District agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Leased Property, or, in the event the Corporation is unable to re-lease the Leased Property, then for the full amount of all Lease Payments to the end of the Term of this Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Leased Property or the exercise of any other remedy by the Corporation. The District hereby irrevocably appoints the Corporation as the agent and special attorney-in-fact of the District solely for the purpose to enter upon and re-lease the Leased Property in the event of default by the District in the performance of any covenants herein contained to be performed by the District and to remove all personal property whatsoever situated upon the Leased Property, to place such property in storage or other suitable place within Tuolumne County, for the account of and at the expense of the District, and the District hereby exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Property and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. The District hereby waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Leased Property as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Property

and all claims for damages to or loss of any property belonging to the District that may be in or upon the Leased Property. The District agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-lease the Leased Property in the event of such re-entry without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-leasing shall constitute a surrender or termination of this Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate this Lease Agreement shall vest in the Corporation to be effected in the sole and exclusive manner hereinafter provided for in paragraph (b) hereof.

(b) In an Event of Default hereunder, the Corporation at its option may terminate this Lease Agreement and re-lease all or any portion of the Leased Property. In the event of the termination of this Lease Agreement by the Corporation at its option and in the manner hereinafter provided on account of default by the District (and notwithstanding any re-entry upon the Leased Property by the Corporation in any manner whatsoever or the re-leasing of the Leased Property), the District nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is herein provided in the case of payment of Lease Payments. Any surplus received by the Corporation from such re-leasing shall be credited towards the Lease Payments next coming due and payable. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of default by the District shall be or become effective by operation of law, or otherwise, unless and until the Corporation shall have given written notice to the District of the election on the part of the Corporation to terminate this Lease Agreement. The District covenants and agrees that no surrender of the Leased Property and/or of the remainder of the Term of this Lease Agreement or any termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

Any amounts received by the Corporation in respect of the Lease Payments or the deficiency under this Section 9.2, and any surplus amounts received from re-leasing under this Section 9.2 shall be applied against the unpaid installments of the principal component of the Lease Payments in inverse order of due date.

Section 9.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement 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. In order to entitle the Corporation to exercise any remedy reserved to it in this Article IX it shall not be necessary to give any notice, other than such notice as may be required in this Article IX or by law.

Section 9.4. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease Agreement should be 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 9.5. Application of Proceeds. All net proceeds received from the re-lease or other disposition of the Leased Property under this Article IX, and all other amounts derived by the Corporation or the Assignee as a result of an Event of Default hereunder, shall be transferred to the Assignee promptly upon receipt thereof and after payment of all fees and expenses of the Assignee, including indemnifications and attorneys fees, shall be held by the Assignee in escrow to be applied to the Lease Payments in order of payment date.

Section 9.6. Assignee to Exercise Rights. Such rights and remedies as are given to the Corporation under this Article IX have been assigned by the Corporation to the Assignee under the Assignment Agreement, to which assignment the District hereby consents. Such rights and remedies shall be exercised by the Assignee, as provided herein.

Section 9.7. Agreement to Pay Attorneys' Fees and Expenses. If any party to this Lease Agreement defaults under any of the provisions hereof and the nondefaulting party should employ attorneys (including in-house legal counsel) or incur 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 agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys (including allocable costs and expenses of in-house legal counsel, if any) and such other expenses so incurred by the nondefaulting party.

ARTICLE X

PREPAYMENT OF LEASE PAYMENTS

Section 10.1. Security Deposit. Notwithstanding any other provision of this Lease Agreement, the District may, on any date, secure the payment of all or a portion of the Lease Payments remaining due by an irrevocable deposit with the Assignee or an escrow holder under an escrow deposit and trust agreement, of: (a) in the case of a security deposit relating to all Lease Payments, either (i) cash in an amount which is sufficient to pay all unpaid Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in Exhibit C, or (ii) Defeasance Obligations in such amount as will, in the written opinion of an independent certified public accountant, together with interest to accrue thereon and, if required, all or a portion of moneys or Federal Securities or cash then on deposit and interest earnings thereon, be fully sufficient to pay all unpaid Lease Payments on their respective Lease Payment Dates (or date of prepayment, if applicable); or (b) in the case of a security deposit relating to a portion of the Lease Payments, a certificate executed by a District Representative designating the portion of the Lease Payments to which the deposit pertains, and either (i) cash in an amount which is sufficient to pay the portion of the Lease Payments designated in such District Representative's certificate, including the principal and interest components thereof, or (ii) Defeasance Obligations in such amount as will, together with interest to be received thereon, if any, in the written opinion of an independent certified public accountant, be fully sufficient to pay the portion of the Lease Payments designated in the aforesaid District Representative's certificate.

In the event of a deposit pursuant to this Section 10.1 as to all Lease Payments and the payment of all fees, expenses and indemnifications owed to the Assignee, all obligations of the District under this Lease Agreement shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all payments from the deposit made by the District pursuant to this Section 10.1, and title to the Leased Property shall vest in the District on the date of said deposit automatically and without further action by the District or the Corporation. Said deposit and interest earnings thereon shall be deemed to be and shall constitute a special fund for the payments provided for by this Section 10.1 and said obligation shall thereafter be deemed to be and shall constitute the installment purchase obligation of the District for the Leased Property. Upon said deposit, the Corporation will execute or cause to be executed any and all documents as may be necessary to confirm title to the Leased Property in accordance with the provisions hereof. In addition, the Corporation hereby appoints the District as its agent to prepare, execute and file or record, in appropriate offices, such documents as may be necessary to place record title to the Leased Property in the District.

Section 10.2. Prepayment Option. The Corporation hereby grants an option to the District to prepay the principal components of the Lease Payments in full on July 12, 2027 or on any Lease Payment Date thereafter, at a prepayment price equal to the principal amount of Lease Payments to be prepaid, plus a 2% prepayment premium thereon (the "Prepayment Date").

Said option shall be exercised by the District by giving written notice to the Corporation and the Assignee of the exercise of such option at least thirty (30) days prior to said Prepayment Date.

Section 10.3. Mandatory Prepayment From Net Proceeds of Title Insurance or Eminent Domain. The District shall be obligated to prepay the Lease Payments, in whole or in part, from and to the extent of any Net Proceeds of a title insurance or condemnation award with respect

to the Leased Property. The District and the Corporation hereby agree that such Net Proceeds shall be applied first to the payment of any delinquent Lease Payments, and thereafter shall be credited towards the District's obligations under this Section 10.3. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the District to the Assignee and the Corporation, and which shall represent an adjustment to the schedule set forth in Exhibit C attached hereto taking into account said partial prepayment.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received 48 hours after deposit in the United States mail in first-class form with postage fully prepaid:

If to the Corporation:	Municipal Finance Corporation 2945 Townsgate Road, Suite 200 Westlake Village, California 91361 Attention: Bill Morton Telephone: (805) 719-1236
If to the District:	Groveland Community Services District 18966 Ferretti Road Groveland, CA 95321 Attention: General Manager Telephone: (209) 962-7161
If to the Assignee:	Westamerica Bank PO Box 1200, A-1B Suisun City, CA 94585-1200 Attention: Credit Administration Telephone: (707) 863-6002

The Corporation, the District and the Assignee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 11.2. Information to be Provided to Assignee. The District shall provide to the Assignee:

(a) Immediate notice by telephone, promptly confirmed in writing, of any event, action or failure to take any action which constitutes a Default or an Event of Default under this Lease Agreement, together with a detailed statement by a District Representative of the steps being taken by the District to cure the effect of such Default or Event of Default.

(b) Prompt written notice of any Material Litigation, or any investigation, inquiry or similar proceeding by any governmental authority with respect to any matter that relates to or could impact any of the Lease Payments.

(c) Promptly upon notice thereof, any termination or cancellation of any insurance policy which the District is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting the District property in excess of an aggregate of \$500,000.

(d) Promptly upon receipt by the District and in no event later than 270 days after the close of each Fiscal Year of the District, detailed certified reports of audit, based on an examination sufficiently complete, prepared by an independent certified public accountant, covering the financial operations of the District for said Fiscal Year. Such audited financial

statements shall include such information as is required by applicable Government Accounting Standards Board pronouncements and applicable State law; and

(e) With reasonable promptness, such other information respecting the District, the Leased Property, and the operations, affairs and financial condition of the District as the Assignee may from time to time reasonably request.

The covenants on the part of the District herein contained shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the ministerial duty of each and every public official of the District to take such action and do such things as are required by law in the performance of such official duty of such officials to enable the District to carry out and perform the covenants and agreements on the part of the District contained in this Lease Agreement.

Section 11.3. Binding Effect. This Lease Agreement shall inure to the benefit of and shall be binding upon the Corporation, the District, the Assignee and their respective successors and assigns.

Section 11.4. Severability. In the event any provision of this Lease Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.5. Net-net-net Lease. This Lease Agreement shall be deemed and construed to be a "net-net-net lease" and the District hereby agrees that the Lease Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever.

Section 11.6. Further Assurances and Corrective Instruments. The Corporation and the District agree that they will, 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 correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be or for carrying out the expressed intentions of this Lease Agreement.

Section 11.7. Execution in Counterparts. This Lease 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 11.8. Applicable Law. This Lease Agreement shall be governed by and construed in accordance with the laws of the State.

Section 11.9. Corporation and District Representatives. Whenever under the provisions of this Lease Agreement the approval of the Corporation or the District is required, or the Corporation or the District is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by an Corporation Representative and for the District by a District Representative, and each party hereto shall be authorized to rely upon any such approval or request.

Section 11.10. Captions. The captions or headings in this Lease Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Lease Agreement.

Section 11.11. Assignee as Third Party Beneficiary. The parties hereto expressly acknowledge and agree that the Assignee is an intended third party beneficiary of this Lease Agreement and a direct beneficiary under the Assignment Agreement and shall have the rights specified herein and therein. Without limiting the generality of the foregoing, any and all rights reserved to the Corporation hereunder shall be jointly held by the Corporation and the Assignee.

Section 11.12. Time of the Essence. Time is of the essence in the payment and performance of each obligation hereunder.

Section 11.13. Entire Agreement; Amendment. This Lease Agreement sets forth the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior written or oral understandings and agreements with respect thereto. This Lease Agreement may not be amended except in writing signed by the District and the Assignee.

Section 11.14. Attorneys' Fees. If suit is brought to enforce any terms, covenants or conditions of this Lease Agreement, the parties agree that the losing party shall pay the prevailing party's reasonable attorneys' fees, including reasonable attorneys' fees incurred in enforcing a judgment, which shall be fixed by the court and court costs. As used herein, the term "prevailing party" shall mean the party, which has succeeded upon a significant issue in the litigation and achieved a material benefit with respect to the claims at issue, taken as a whole.

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

MUNICIPAL FINANCE CORPORATION,
as lessor

By: _____
Stefan A. Morton
Vice President

**GROVELAND COMMUNITY SERVICES
DISTRICT,**
as lessee

By: _____
General Manager

EXHIBIT A DEFINITIONS

"*Additional Payments*" means the payments authorized under Section 4.7 of the Lease Agreement.

"*Applicable Environmental Laws*" means and shall include, but shall not be limited to, the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), 42 USC sections 9601 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 USC sections 6901 et seq.; the California Hazardous Waste Control Law ("HWCL"), California Health & Safety Code sections 25100 et seq.; the Hazardous Substance Account Act ("HSAA"), California Health & Safety Code sections 25300 et seq.; the Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), California Water Code sections 1300 et seq.; the Air Resources Act, California Health & Safety Code sections 3900 et seq.; the Safe Drinking Water & Toxic Enforcement Act, California Health & Safety Code sections 25249.5 et seq.; and the regulations under each thereof; and any other local, state, and/or federal laws or regulations, whether currently in existence or hereafter enacted, that govern:

- (a) the existence, cleanup, and/or remedy of contamination on property;
- (b) the protection of the environment from spilled, deposited, or otherwise emplaced contamination;
- (c) the control of hazardous wastes; or
- (d) the use, generation, transport, treatment, removal, or recovery of Hazardous Substances, including building materials.

"*Assignee*" means Westamerica Bank, a California state banking corporation, the assignee of the Corporation on the Closing Date, and its successors and assigns.

"*Assignment Agreement*" means the Assignment Agreement, dated as of July 12, 2022, by and between the Corporation and the Assignee, together with any duly authorized and executed amendments thereto.

"*Business Day*" means a day which is not a Saturday, Sunday or legal holiday on which Assigneeing institutions in the state in which the Principal Corporate Trust Office of the Assignee is located are closed or are required to close or a day on which the New York Stock Exchange is closed.

"*Closing Date*" means July _____, 2022.

"*Code*" means the Internal Revenue Code of 1986 as in effect on the Closing Date or as it may be amended to apply to obligations issued on the Closing Date, together with applicable regulations promulgated under the Code.

"*Corporation*" means Municipal Finance Corporation, a corporation organized and existing under the laws of the State.

"*Corporation Representative*" means the President, Vice President, or any other person authorized to act on behalf of the Corporation under or with respect to the the Lease Agreement and the Site Lease, and identified as such to the District and the Assignee in writing.

"*Costs of Issuance*" means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the execution and delivery of the Site Lease, the Lease Agreement, and the Assignment Agreement, or the execution and delivery of the Lease Agreement,

including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, costs for statistical data, financing discounts, legal fees and charges, insurance fees and charges (including title insurance), financial and other professional consultant fees, and charges and fees in connection with the foregoing.

“*County*” means the County of Tuolumne, a county duly organized and existing under the Constitution and laws of the State.

“*Default Rate*” means the interest rate due on the unpaid portion of any Lease Payment due pursuant to Section 4.4 hereof, and in default pursuant to Section 4.4(d) hereof. Such Default Rate shall also be applicable upon the occurrence and continuation of an Event of Default pursuant to Section 9.1 and shall to be equal to the then existing interest rate plus 3.0%.

“*Defeasance Obligations*” means (a) cash, or (b) non-callable Federal Securities.

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

- (i) on that 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 Assignee notifies the District that it has received a written opinion from Special Counsel to the effect that an Event of Taxability has occurred, which notice shall be accompanied by a copy of such opinion of Special Counsel, unless, within 180 days after receipt by the District of such notification and copy of such opinion from the Assignee, the District shall deliver to the Assignee 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 that date when the District shall receive notice from the Assignee 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 component of the Lease Payments as includable in the gross income of the Assignee due to the occurrence of an Event of Taxability;

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 Assignee, the District shall reimburse the Assignee for any payments, including any taxes, interest, penalties or other charges, such Assignee shall be obligated to make as a result of the Determination of Taxability.

“*District*” means Groveland Community Services District, a community services district organized and existing under the laws of the State.

“*District Representative*” means the President of the Board of Directors, the General Manager or Administrative Services Director of the District, or any other person authorized to act on behalf of the District under or with respect to the Lease Agreement and the Site Lease, and identified as such to the Assignee in writing.

“*Event of Default*” or “*Default*” means an event of default under the Lease Agreement, as defined in Section 9.1 thereof.

“*Event of Taxability*” means a change in law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance (including, without limitation, the taking of any action by the District, or the failure to take any action by the District, or the making by the District of any misrepresentation in this Lease Agreement or the certificate regarding federal arbitrage which has been executed and delivered by the District in connection with this Lease Agreement) which has the effect of causing the interest component of the Lease Payments to be includable, in whole or in part, in the gross income of the Assignee for federal income tax purposes.

“*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 Code) and, otherwise, the term “fair market value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (a) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (b) 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 Code, (c) 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 (d) the investment is the Local Agency Investment Fund of the State but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

“*Federal Securities*” means direct general 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) or obligations the payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

“*Fiscal Year*” means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period selected by the District as its fiscal year.

“*Governmental Authority*” means any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other Person with authority to bind a party at law.

“*Hazardous Substance*” means any substance that shall, at any time, be listed as “hazardous” or “toxic” in any Applicable Environmental Law or that has been or shall be determined at any time by any agency or court to be a hazardous or toxic substance regulated under Applicable Environmental Laws; and also means, without limitation, raw materials, building components, the products of any manufacturing,

or other activities on the facilities, wastes, petroleum, and source, special nuclear, or by-product material as defined by the Atomic Energy Act of 1954, as amended (42 USC sections 3011 et seq.).

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Corporation, the Assignee or the District.

“Lease Agreement” means this Lease Agreement for the lease of the Leased Property by the Corporation, as lessor, to the District, as lessee, dated as of July 12, 2022, together with any duly authorized and executed amendments thereto.

“Leased Property” means the Groveland Community Services District laboratory, located at 1737 West Houston Avenue, Visalia, California, and more particularly described in Exhibit B hereto and made a part hereof, or any other property substituted therefor in accordance with Section 8.3.

“Lease Payment Date” means the twelfth day of July in each year during the Term of the Lease Agreement, commencing July 12, 2023.

“Lease Payments” means the payments required to be paid by the District pursuant to Section 4.4 of the Lease Agreement, including any prepayment thereof pursuant to Article X of the Lease Agreement, which payments consist of an interest component and a principal component, as set forth in Exhibit C to the Lease Agreement plus, in the case of prepayment, a prepayment premium, if any.

“Material Adverse Effect” means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the District, (b) the ability of the District to carry out its business in the manner conducted as of the date of this Lease Agreement or to meet or perform its obligations under this Lease Agreement on a timely basis, (c) the validity or enforceability of this Lease Agreement, or (d) the exclusion of interest with respect to the Lease Payments from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes.

“Material Litigation” means any action, suit, proceeding, inquiry or investigation against the District in any court or before any arbitrator of any kind or before or by any Governmental Authority, of which the Corporation has notice or knowledge and which, (i) if determined adversely to the District, may have a Material Adverse Effect, (ii) seek to restrain or enjoin any of the transactions contemplated hereby or by the Lease Agreement, or (iii) may adversely affect (A) the exclusion of interest with respect to the Lease Payments from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes or (B) the ability of the District to perform its obligations under this Lease Agreement.

“Net Proceeds,” when used with respect to insurance or condemnation proceeds, means any insurance proceeds or condemnation award paid with respect to the Leased Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“Outstanding,” when used as of any particular time with respect to the Lease Payments, means all Lease Payments scheduled but unpaid, except Lease Payments for the payment or redemption of which funds or Defeasance Obligations in the necessary amount shall have theretofore been deposited with the Assignee or an escrow holder (whether upon or prior to the maturity or prepayment date of such Lease Payments).

“Permitted Encumbrances” means, as of any particular time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions of Article V of this Lease Agreement, permit to remain unpaid; (b) the Assignment Agreement; (c) the Site Lease; (d) this Lease Agreement; (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not

filed or perfected in the manner prescribed by law; and (f) easements, rights-of-way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the District certifies in writing will not materially impair the use or reduce the value of the Leased Property.

“*Project*” means the acquisition, construction and installation of certain capital improvements at the District. The District reserves the right to amend the description and scope of the Project from time to time in its sole discretion.

“*Project Fund*” means the fund or account by that name established and held by the District under Section 3.3.

“*Rental Period*” means each twelve-month period during the Term of the Lease Agreement or the Term of the Site Lease, as applicable, commencing on July 13 in any year and ending on July 12 in the next succeeding year; *provided, however*, that the first Rental Period shall commence on the Closing Date and shall end on July 12, 2023.

“*Site Lease*” means that certain agreement for the lease of the Leased Property by the District, as lessor, to the Corporation, as lessee, dated as of July 12, 2022, together with any duly authorized and executed amendments thereto.

“*State*” means the State of California.

“*Taxable Rate*” means 6.00%.

“*Term of the Site Lease*” means the time during which the Site Lease is in effect, as provided in Section 4.2 of the Site Lease.

“*Term of the Lease Agreement*” means the time during which this Lease Agreement is in effect, as provided in Section 4.2 of this Lease Agreement.

EXHIBIT B

DESCRIPTION OF THE LEASED PROPERTY

LEGAL DESCRIPTION

The land referred to herein below is situated in the County of Tuolumne, State of California and is described as follows:

EXHIBIT C

SCHEDULE OF LEASE PAYMENTS

PMT #	Due Date	Lease Payment	To Principal	To Interest
1	7/12/23	\$43,366.91	\$29,016.91	14,350.00
2	7/12/24	43,366.91	30,206.60	13,160.31
3	7/12/25	43,366.91	31,445.07	11,921.84
4	7/12/26	43,366.91	32,734.32	10,632.59
5	7/12/27	43,366.91	34,076.43	9,290.48
6	7/12/28	43,366.91	35,473.56	7,893.35
7	7/12/29	43,366.91	36,927.98	6,438.93
8	7/12/30	43,366.91	38,442.03	4,924.88
9	7/12/31	43,366.91	40,018.15	3,348.76
10	7/12/32	43,366.91	41,658.95	1,707.96
TOTALS:		<u>\$433,669.10</u>	<u>\$350,000.00</u>	<u>\$83,669.10</u>

The interest components of the Lease Payments are computed at a 4.10% interest rate

