



BANK OF STOCKTON
ESTABLISHED 1867
WITHSTANDING THE TEST OF TIME



June 6th, 2024

Reclamation District No. 2029
Alan Richard Coon
Secretary / General Counsel
400 East Kettlemen Lane, Suite 20-K
Lodi, California 95240 (District Office)

RE: Warrant Financing for Reclamation District No. 2029 & Commercial Term Loan

Dear Mr. Coon,

On behalf of the Bank of Stockton (“Bank”), I am pleased to provide this letter outlining the primary terms and conditions under which the Bank is willing to consider the proposed financing. It is important to note that this letter only represents Bank’s expression of interest and is not intended as, nor should it be construed as, Bank’s commitment to lend.

Borrower: Reclamation District No. 2029

Type of Credits: 1) Revolving Demand Warrant Purchase Line
2) Commercial Term Loan

Purpose: Provide demand warrant financing for the District’s annual operations and maintenance and a commercial term loan to be repaid by a pending Special Benefit Assessment.

Principal Amount: 1) Bank will purchase up to a total of One Million Dollars (\$1,000,000) of registered demand warrants.
2) Term Loan up to \$1,600,000.

Term: 1) Demand Warrants: Initial term of two (2) years. Bank of Stockton may elect to discontinue the purchase of registered warrants upon sixty (90) days prior written notice to District. In such event, unless otherwise agreed in writing, District agrees to pay all outstanding warrants within twelve (12) months from the date of such notice.
2) Term Loan: 10 Years (No prepayment penalty, loan to be re-amortized annually based on principal reductions)

Repayment: 1) Demand warrants shall bear interest from date of registration. Demand warrants registered for nonpayment shall be paid by the county treasurer in the order of registration. It is intended that no warrant will be outstanding for more than Four (4) years. If any warrant(s) is/will be outstanding for Four (4) years or more, District agrees to replace said warrant.
2) Term Loan: Annual principal and interest payments will be repaid through a pending Special Benefit Assessment established by an upcoming Proposition 218 Election. The

Special Benefit Assessment must independently provide sufficient capacity to repay the proposed loan.

Interest Rate:

1) Demand Warrants: The initial rate on the initial warrant purchases will be 5.50%. After initial six (6) months, future interest rate on warrants will be subject to adjustment upon written notice from Bank of Stockton. The rate of interest is fixed for the life of each warrant until paid.

2) Term Loan: 5.50% (Fixed)

**Additional
Conditions:**

1) Bank of Stockton will be sole holder of District warrants. District will not issue registered warrants to any other party without the prior written consent of the Bank of Stockton.

2) Term Loan: Approval of Special Benefit Assessment (SBA) through Prop 2018 election.

Preliminary Financial, Reporting and Other Covenants:

- Financial Reporting Requirements:
 - Borrower to provide internally prepared annual financial statements within 90 days of its fiscal year end.
 - Borrower to provide financial statements audited by independent certified public accountants satisfactory to Bank within 30 days of completion.

This letter should be considered as an expression of interest and as such, does not represent a commitment to lend. The subject proposal could be subject to additional terms and conditions and may include changes to terms and conditions detailed herein mutually agreed upon between the District and the Bank of Stockton.

Sincerely,



Matthew J. Brown
AVP Business Banking Officer
Bank of Stockton

The undersigned wishes to proceed under the terms as generally outlined above. We recognize that terms and conditions are subject to change and that upon additional credit investigation and underwriting, the request for financing may ultimately be declined. We further agree to provide the Bank with necessary financial and supporting information, as the Bank may deem necessary, in a timely manner.

Reclamation District No. 2029

Signature

Date