



HOLMAN CAPITAL CORPORATION  
PROPOSAL FOR INSTALLMENT PURCHASE AGREEMENT

Friday, October 1, 2021

John Rowden  
General Manager  
Plumas Eureka Community Services District  
200 Lundy Lane  
Blairsden, CA 96103

VIA E-MAIL

**RE: PROPOSAL FOR PROJECT FINANCING**

John:

Holman Capital Corporation is pleased to present to the Plumas Eureka Community Services District its proposal for project financing. The terms and conditions of our proposal are outlined as below:

Option	Financing Amount	Interest Rate	Term	Payment Frequency	Payments Per Year	Payment	Balloon Payment	Total Payment
A	\$943,560.00	3.20%	10	Semi-Annual	2	\$34,190.80	\$497,666.46	\$1,181,482.46
B	\$943,560.00	3.90%	20	Semi-Annual	2	\$34,190.80	N/A	\$1,367,632.00

**BORROWER:** **Plumas Eureka Community Services District**, Borrower is a state or political subdivision within the meaning of Section 103(c) of the Internal Revenue Code of 1986, as amended (the "Code").

**LENDER:** Holman Capital Corporation, or its Assignee

**GUIDANCE LINE OF CREDIT:** The Lender will endeavor to provide a \$943,560.00 Guidance Line of Credit to fund future transactions. The Guidance Line of Credit will have a twelve (12) month renewal period. Each drawdown is subject to collateral review and final legal approval. The interest rate will be set at the time of funding and remain fixed for the term of the financing.

**USE OF PROCEEDS:** Refund 2006 Sewer Revenue Bonds, Series 2006A and Series 2006B

**FINANCING OPTIONS:**

1. **Option A**
  - a. Interest rate fixed at 3.20% for 10 Years with level principal and interest payments. The Borrower will have the option to reset the rate on and refinancing the outstanding principal

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balance after 10 years from commencement.  
*See Rate Reset Language in next section.*

**2. Option B**

- a. Interest Rate Fixed for 20 Years at 3.90% with level principal and interest payments.

**RATE RESET:**

**Option "A" Only** - The initial 10-year term, with a balloon, is subject to a rate reset at the end of the initial term. At the end of the initial 10-year term, the Borrower may elect to either: (a) finance the balloon with another Lender by paying the then existing prepayment price to the lender together with the final rental payment at the end of the initial 10-year term, or (b) finance such balloon with the lender over an additional 10-year term at an interest rate to be determined based on the following terms and conditions. The rate for the 10-year balloon would be 10 Year Constant Maturity Treasury located on the [www.federalreserve.gov](http://www.federalreserve.gov) plus a spread of 271 bps multiplied by one minus the marginal tax rate  $((10 \text{ Year CMT} + 271 \text{ bps}) \times (1 - \text{Marginal Tax Rate}))$ , or such other mutually agreeable and market rate as the lender and Borrower may agree; provided, however, the interest rate for the balloon term would be subject to the lender then existing credit and pricing criteria and will not be less than 3.20%. Lender would need a minimum of 30 (but not more than 60) days advance notice prior to entering 2nd rate reset financing of the balloon, and the interest rate for the balloon financing would be based on the 10 Year CMT in effect one week prior to commencement of balloon schedule. The balloon financing would simply be booked as Schedule 02 with identical provisions to Schedule 01 (unless the parties mutually agree to modifications) once the parties agree on the interest rate and the final debt service schedule. Commencing with Schedule 02, the Borrower will receive the full coupon.

**TYPE OF FINANCING:**

Master Installment Purchase Agreement. Said Agreement shall be a net lease arrangement whereby Borrower is responsible for all costs of operation, maintenance, insurance, and taxes. The agreement shall be based on a pledge of all legally available funds. Each funding under the Master Installment Purchase Agreement will have a Payment Schedule, Financing Amount, Market Interest Rate and Related Exhibits.

**BANK QUALIFICATION:**

The financing will be Bank Qualified (Small Issuer). The Borrower expects to issue less than \$10,000,000.00 in new tax-exempt debt or capital leases in the current calendar year

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**PURCHASE OPTION:** The purchase option can be exercised on any scheduled payment date.

The current payment and purchase option are due should the Borrower decide to exercise the option.

**SECURITY:** The note will be secured by a pledge of the net revenues of the Borrower. This pledge shall constitute a first lien on revenues on parity with the Borrower's existing debt.

**LOAN COVENANT:** The Borrower is required to maintain a 1.25x debt service coverage throughout the term of the loan agreement. In the event the borrower is unable to maintain the debt service coverage, the Borrower will covenant to increase rates to meet the required coverage ratios. Debt service coverage is defined as the operating and non-operating income divided by total debt and lease payments due in the fiscal year.

**ADDITIONAL DEBT TEST:** Borrower shall not incur any obligations payable from or secured by net revenues which is or purports to be payable on a basis which is superior to the payment of the Loan. Borrower shall not incur any parity debt unless Borrower is not then in default under the terms of the Loan and Borrower has received a written certificate or opinion from an independent certified public accountant that Borrower will comply with the rate covenant (including debt service on the proposed parity debt). Notwithstanding the above provisions, Borrower may incur a debt payable from Net Revenues (i) to cause a defeasance of this loan or (ii) which is payable on a basis which is junior to the payment of this loan, provided in no instance shall Net Revenues be less than 100% of all debt service (parity and junior lien).

**COVENANT COMPLIANCE:** In connection with the annual delivery of audited financial statements and other continuing disclosures that shall be required, the Borrower shall provide Lender a certificate exhibiting compliance with the above covenants.

**ESCROW FUNDING:** The Lender has assumed funding of an escrow account for this transaction on or about **November 2, 2021**. The Project Fund will be used to pay equipment vendors/contractors and any escrow expenses.

Escrow Agent will be selected by Borrower subject to Lender's credit approval. Lender will review and approve escrow disbursements prior to Escrow Agent disbursing the funds. It is assumed that all interest earnings will accrue for benefit of

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Borrower. This proposal also does not take into consideration the application of any interest earnings from the escrow fund of the account.

**ESCROW DISBURSEMENTS:**

Lender will request the following information from the Borrower to authorize disbursement of funds to vendors and or the Borrower from the escrow account:

- Executed Disbursement Request Form
- Executed Payoff Quote for Existing Lender
- Proof of Payment (required if Borrower is requesting a reimbursement)
- Proof of Insurance (both Liability and Property and Casualty Coverage)

**INSURANCE:**

The Borrower shall furnish confirmation of insurance satisfactory to the Lender.

**AUTHORIZED SIGNORS:**

The Borrower's governing board shall provide the Lender with its resolution or ordinance authorizing this Agreement and shall designate the individual(s) to execute all necessary documents used therein.

**LEGAL OPINION:**

The Borrower's counsel shall furnish Lender with an opinion covering this transaction and the documents used herein. This opinion shall be in a form and substance satisfactory to Lender.

**LEGAL TITLE:**

Title to the assets will be in the name of the Borrower. The Investor will be granted a security interest or lien on all collateral being financed.

**DOCUMENTATION:**

Holman Capital will document all facets of the transaction. A copy of the sample Master Installment Purchase Agreement will be forwarded to the Borrower upon acceptance of the proposal. The Borrower will be responsible for a \$10,000.00 documentation fee that can be taken from the loan proceeds or paid at closing.

**RATE LOCK EXPIRATION:**

If funding does not take place by **November 2, 2021**, the Loan Rate and Loan Payment Amounts will be adjusted to market conditions three (3) days prior to funding. Once set, the Loan Rate will remain fixed for the Loan Term.

**FINANCIAL STATEMENTS:**

Borrower shall provide to the Lender three (3) years of current financial statements, budgets, demographics, and proof of appropriation for the ensuing Fiscal Year and such other financial



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information relating to the ability of Borrower to continue this Agreement as may be reasonably requested by Lender.

This proposal is subject to final credit approval by the Credit/Investment Committee of Holman Capital Corporation and approval of the Loan documents in Holman Capital Corporation's sole discretion. To render a credit decision, Borrower shall provide the Lender with the information requested above. Upon receipt of the signed proposal, we will endeavor to provide you with a timely commitment.

It is a pleasure to offer this proposal to you and we look forward to your favorable acknowledgment.

Sincerely,

Lance Holman  
President & CEO

**AGREED TO AND ACCEPTED BY:**

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_