

**Golden State Finance
Authority (GSFA)
Board of Directors Meeting**



**Wednesday, March 11, 2020
11:00 a.m.**

**1215 K Street, Suite 1650
Sacramento, California 95814**

**Golden State Finance Authority (GSFA)
Board of Directors Meeting
Wednesday, March 11, 2020, 11:00 a.m.
1215 K Street, Suite 1650
Sacramento, CA 95814**

AGENDA

- 1. Call to Order & Determination of Quorum**
*Chair, Supervisor Kevin Cann, Mariposa County
Vice Chair, Supervisor Bob Williams, Tehama County*
- 2. Approval of Minutes – January 15, 2020 Board Meeting** **Page 1**
Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise
- 3. Member County Concerns**
- 4. Public Testimony**
Presentation only of any matters of concern to the general public
- 5. Approval of Loan to Golden State Natural Resources, Inc.** **Page 7**
*Greg Norton, Executive Director
Craig Ferguson, Deputy Director
Lisa McCargar, Chief Financial Officer*
 - a. Adopt finding that the proposed loan to Golden State Natural Resources, Inc. is not a project as defined in CEQA Guidelines section 15378, and is further exempt from CEQA review under CEQA Guidelines section 15061(b)(3) – ACTION**
 - b. GSFA Resolution 20-03: Authorizing a Loan of up to \$10 Million From GSFA to Golden State Natural Resources, Inc. – ACTION**
- 6. GSFA Resolution 20-04: Authorizing Appointment of GSFA Multi-Family Action Team to Review and Approve Specific Multi-Family Projects, Public Infrastructure Financing Projects, and Projects for the Improvement or Rehabilitation of Real Property for Public Safety or Environmental Protection Purposes - ACTION** **Page 33**
*Greg Norton
Craig Ferguson*
- 7. California Debt Limit Allocation Committee Mortgage Credit Certificate Program Defunding – ACTION** **Page 39**
Craig Ferguson
- 8. Program Updates**
Craig Ferguson

9. Economic Development Activity Updates
Barbara Hayes, Chief Economic Development Officer

10. Adjournment

Meeting facilities are accessible to persons with disabilities. By request, alternative agenda document formats are available to persons with disabilities. To arrange an alternative agenda document format or to arrange aid or services to modify or accommodate persons with a disability to participate in a public meeting, please call Sarah Bolnik at (916) 447-4806 at least 48 hours before the meeting.

Agenda items will be taken as close as possible to the schedule indicated. Any member of the general public may comment on agenda items at the time of discussion. In order to facilitate public comment, please let staff know if you would like to speak on a specific agenda item.



Golden State Finance Authority
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**Golden State Finance Authority (GSFA)
Board of Directors Meeting
January 15, 2020
11:00 a.m.
1215 K Street, Suite 1650
Sacramento CA 95814**

MINUTES

Call to Order & Determination of Quorum

Chair, Supervisor Kevin Cann, Mariposa County, called the meeting to order at 11:01 a.m. A quorum was determined at that time. Those present:

| <u>Supervisor</u> | <u>County</u> |
|--------------------------|----------------------|
| David Griffith | Alpine |
| Brian Oneto | Amador |
| Doug Teeter | Butte |
| Jack Garamendi | Calaveras |
| Denise Carter | Colusa |
| Gerry Hemmingsen | Del Norte |
| Lori Parlin | El Dorado |
| Rex Bohn | Humboldt |
| Michael Kelley | Imperial |
| Matt Kingsley | Inyo |
| Eddie Crandall | Lake |
| Aaron Albaugh | Lassen |
| David Rogers | Madera |
| Kevin Cann | Mariposa |
| Carre Brown | Mendocino |
| Daron McDaniel | Merced |
| Geri Byrne | Modoc |
| Stacy Corless | Mono |
| Diane Dillon | Napa |
| Dan Miller | Nevada |
| Jim Holmes | Placer |
| Anthony Botelho | San Benito |
| Les Baugh | Shasta |
| Lee Adams | Sierra |
| Michael Kobseff | Siskiyou |
| Mat Conat | Sutter |
| Bob Williams | Tehama |
| Jeremy Brown | Trinity |
| Kuyler Crocker | Tulare |
| Sherri Brennan | Tuolumne |

Gary Sandy Yolo
Randy Fletcher Yuba

Absent

John Viegas Glenn
Kevin Goss Plumas
Lynn Compton San Luis Obispo

Others in Attendance

Supervisor Chris Lopez, Monterey County
Supervisor Bobbi Chadwick, Trinity County
Supervisor Terry Woodrow, Alpine County
Supervisor Ned Coe, Modoc County
Jim Brown, CAO, Merced County
Greg Norton, Executive Director
Craig Ferguson, Deputy Director
Lisa McCargar, Chief Financial Officer
Crystal Crawford, Ygrene Energy Fund
Barbara Hayes, RCRC Chief Economic Development Officer
Sarah Bolnik, RCRC Economic Development Specialist
Justin Caporusso, RCRC Vice President External Affairs
Paul A. Smith, RCRC Vice President Governmental Affairs
Arthur Wylene, RCRC Legal Counsel
Tracy Rhine, RCRC Legislative Advocate
Staci Heaton, RCRC Senior Regulatory Affairs Advocate
Mary-Ann Warmerdam, RCRC Senior Legislative Advocate
Maggie Chui, RCRC Senior Governmental Affairs Coordinator
Milena De Melo, RCRC Controller
John Kennedy, RCRC Legislative Advocate
Leigh Kammerich, RCRC Regulatory Affairs Coordinator
Ed Horton, Placer County Water Agency
Tom Coverick, Key Bank

Approval of Minutes – December 11, 2019 Board Meeting

Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise

Supervisor David Griffith, Alpine County, motioned to approve the minutes of the December 11, 2019 GSFA Board of Directors Meeting. Supervisor Gerry Hemmingsen, Del Norte County, seconded the motion. Motion unanimously passed.

Abstaining:

Supervisor Brian Oneto, Amador County; Supervisor Michael Kelley, Imperial County; Supervisor David Rogers, Madera County; Supervisor Les Baugh, Shasta County

Member County Concerns

Supervisor Kuyler Crocker raised a question regarding home hardening and if GSFA would be able to allocate funds for financing this. Craig Ferguson, Deputy Director discussed the ability of PACE to finance portions of home hardening such as the roof and windows etc. Crystal Crawford, Ygrene Energy Fund, also added that the Wildfire Protection Act does not allow for tree removal which is also a form of home hardening. Ms. Crawford discussed possible legislation changes relating to PACE with the GSFA Board of Directors.

Public Testimony

None

Appointment of the GSFA 2020 Chair and Vice Chair, Appointment of the GSFA Authority Officers, Appointment of the GSFA Executive Committee

Greg Norton, Executive Director, reported that Supervisor Daron McDaniel, Merced County, and RCRC Board Chair, nominated Supervisor Kevin Cann, Mariposa County, as Chair, and Supervisor Bob Williams, Tehama County, as Vice Chair of the Golden State Finance Authority.

Mr. Norton then recommended the following Authority Officers of GSFA:

Deputy Director/Deputy Secretary
Controller/CFO/Assistant Secretary/Deputy Treasurer

Craig Ferguson
Lisa McCargar

Recommendations:

It is recommended that the GSFA Board:

Elect Supervisor Kevin Cann, Mariposa County, the 2020 GSFA Chair and Supervisor Bob Williams, Tehama County, the 2020 GSFA Vice Chair per the nomination of the RCRC Chair;

Confirm the appointment of the additional 2020 Authority Officers by the GSFA Executive Director as noted;

Confirm the 2020 GSFA Executive Committee, consisting of eleven members, and including the 2020 GSFA Chair.

Supervisor Rex Bohn, Humboldt County, motioned to approve the 2020 GSFA Chair, 2020 GSFA Vice Chair, confirm the appointment of the 2020 Authority Officers, confirm the appointment of the GSFA 2020 Executive Committee. Supervisor David Rogers, Madera County, seconded the motion. Motion passed.

GSFA 2020 Investment Policy Renewal

Lisa McCargar, Chief Financial Officer, provided an overview of the 2020 Investment Policy. Ms. McCargar noted the policy was provided in track changes and in a clean version for the Board to see the changes to the policy.

Recommendation

It is recommended that the GSFA Board of Directors review and approve the 2020 Investment Policy.

Supervisor Matt Kingsley, Inyo County, motioned to approve the 2020 GSFA Investment Policy as presented. Supervisor Denise Carter, Colusa County, seconded the motion. Motion passed.

GSFA Resolution 20-01: Board Travel Policy

Lisa McCargar provided an overview of GSFA Resolution 20-01, GSFA's Board Travel Policy. Ms. McCargar explained that for 2020, the official government per diem rates for Sacramento, as set by the General Services Administration have changed. The per-night maximum lodging rate increased from \$135.00 per night to \$140.00 per night. The 2020 meal allowances remained at the 2019 rate, and the 2020 IRS rate for mileage reimbursement decreased from \$0.58 to \$0.575 per mile.

Recommendation:

It is recommended that the GSFA Board of Directors review, approve, and adopt the Board Travel Policy, GSFA Resolution 20-01.

Supervisor David Griffith, Alpine County, motioned to approve GSFA Resolution 20-01: Board Travel Policy. Supervisor Brian Oneto, Amador County, seconded the motion. Motion passed.

GSFA Resolution 20-02: Acceptance of Associate Members

Craig Ferguson, Deputy Director presented GSFA Resolution 20-02 to approve the acceptance of current Associate Members as required per the GSFA JPA Agreement. Mr. Ferguson shared with the Board the current list of Associate Members.

This resolution ratifies all current Associate Members and restates the process by which new Associate Members are accepted by the Authority. GSFA Resolution 20-02 is presented to the GSFA Board of Directors annually per the JPA Agreement.

Recommendations:

It is recommended that the GSFA Board of Directors:

1. Review, Approve, and Adopt GSFA Resolution 20-02;
2. Ratify the current list of member counties and associate members per the attached list.

Supervisor Jim Holmes, Placer County, motioned to approve GSFA Resolution 20-02: 2020 GSFA Associate Members. Supervisor Randy Fletcher, Yuba County, seconded the motion. Motion passed.

GSFA Program Investment

Craig Ferguson reminded the GSFA Board of Directors about the Down Payment Assistance (DPA) program offered by GSFA – which the Board approved up to \$10 MM of investment funds to support. The program is proving to be incredibly successful and therefore it is requested that an additional \$10 MM of commitment funding be allocated towards this program.

Recommendation

It is recommended the GSFA Board of Directors approve an additional commitment of up to \$10MM of existing resources to provide DPA in the form of second mortgage loans in conjunction with the existing DPA program/s.

Supervisor Randy Fletcher, Yuba County, motioned to approve a GSFA commitment of \$10 Million for the DPA Program. Supervisor Mat Conat, Sutter County, seconded the motion. Motion passed.

Program Updates

Craig Ferguson provided an update on the current GSFA Programs.

Economic Development Update

Barbara Hayes, Chief Economic Development Officer, provided an overview of recent Economic Development activity. Ms. Hayes provided a status update on the Forest Resiliency project. Foundational work on the program continues, and we expect to receive feasibility studies and key impact reports in the next couple of weeks. Staff has been convening meetings with local “partners” – Fire Safe Councils, Resource Conservation Districts, SB 901 Fuel Reduction Grant recipients, local CalFire and USFS representatives, etc., to begin building local partnerships and community relations.

Ms. Hayes mentioned that rural broadband will be a key focus of the work that Economic Development staff will undertake in 2020. There appears to be an opportunity to impact change on how broadband deployment is handled by the public sector in the wake of disasters that are impacting California, particularly rural California, catastrophic wildfires, dam failures, and PSPS events.

Adjournment

GSFA Chair, Supervisor Kevin Cann, Mariposa County, adjourned the meeting of the GSFA Board of Directors at 11:31 a.m.



To: GSFA Board of Directors

From: Greg Norton, Executive Director

Date: March 5, 2020

Re: **Approval of Loan to Golden State Natural Resources, Inc.**

- a. Adopt finding that the proposed loan to Golden State Natural Resources, Inc. is not a project as defined in CEQA Guidelines section 15378, and is further exempt from CEQA review under CEQA Guidelines section 15061(b)(3) – **ACTION**
- b. GSFA Resolution 20-03: Authorizing a Loan of up to \$10 Million from GSFA to Golden State Natural Resources, Inc. – **ACTION**

Summary

In May 2019, the GSFA Board of Directors authorized creation of Golden State Natural Resources, Inc. (GSNR), a nonprofit public benefit corporation organized for the purpose of promoting public safety, forest resiliency, wildfire risk reduction, air quality improvement, organic waste reduction, rural economic development, and related public purposes. The GSFA Board contemporaneously adopted Resolution No. 19-06, expressly recognizing that GSNR's proposed activities would further the public purposes of GSFA and its member counties, thereby lessening the burdens of government. GSNR is presently governed by a Board of Directors consisting of five elected County Supervisors who are members of the GSFA and RCRC Boards.

GSNR is currently developing an innovative program to remove woody biomass fire fuels from California's forests, thereby reducing wildfire risk. The feedstock procured from these fuel reduction activities (and other appropriate biomass, such as orchard waste) would be processed into productive resources, including wood pellets, at modernized processing facilities located in rural California. Program revenues would be generated through the sale of these finished products. GSFA and GSNR have already taken a number of substantial steps in support of this program, most notably signing a 20-year Master Stewardship Agreement with the United States Forest Service (USFS) covering nearly all USFS forest land in California.

Major funding for development of the program is anticipated to come from a combination of public and private investment and philanthropy, with long-term operations funded by program revenues. However, substantial effort has been and will be required in order to position the program to successfully pursue private investment and/or state and federal

grants. These efforts include preparing studies to demonstrate the feasibility and benefits of the program, technical and environmental review of the proposed operations, legal services to develop the governance and financing structure for the program, industry consultants, potential site assessment, due diligence, permitting and design/engineering analysis, negotiation of offtake agreements and agreements with additional feedstock sources, port assessment, potential staff hires, and much more as part of the broader pre-development process leading to the information and data necessary for the Board and potential investors to make informed decisions.

All of these efforts have associated costs to achieve proper analysis and assessment. Further, to make informed "go/no-go" decisions on the project as a whole, and individual key elements, four primary areas must be coordinated and aligned as much as possible:

- Site acquisition (including port agreements)
- Feedstock agreements
- Offtake agreements
- Investment commitments

There is consequently current and time-sensitive need for pre-development funding to cover the costs of these studies and related consultant and legal services.

As set forth in recent amendments to the GSFA JPA, approved both by this Board and unanimously by the member counties, one of GSFA's purposes is "to establish and operate programs and projects to promote public safety, economic development, and environmental protection, including without limitation forest resiliency, wildfire risk reduction, air quality improvement, and waste diversion and reuse." This authorization promotes and implements our member counties' legal authority to fund programs to meet the broad range of "social needs" of their communities and constituents. (Government Code section 26227.)

To date, the pre-development activities and costs associated with the GSNR program have been included and funded in GSFA's board-approved 2019 and 2020 budgets. GSFA could continue to fund this pre-development through its own budget, or through an outright grant to GSNR, which is legally permissible. However, while the ultimate success of this program cannot be guaranteed with certainty at this stage, it is sufficiently promising that a loan structure appears most appropriate to fund these activities going forward. This will allow for repayment to GSFA, with interest, in the increasingly likely event that the program launches and becomes self-sustaining. Further, GSNR is, and will be, its own entity, and as such, GSNR must now incur its own liabilities. The proposed loan will thus permit establishment of a funding and accounting mechanism within the GSNR nonprofit. Therefore, in order to facilitate the program in the manner most beneficial to both GSFA and GSNR, it is proposed that GSFA make a loan of up to \$10 million to GSNR to finance program activities and meet cash flow requirements during the pre-development phase. At the stage of development and current opportunity, time is of the essence for GSNR to address pre-development financing. For the reasons noted, a loan to GSNR, rather than a grant, appears most favorable to both GSFA and GSNR.

The proposed loan documents are attached, consisting of a Loan Agreement, Promissory Note, and Commercial Security Agreement. As set forth in these documents, the loan would have the following basic terms:

- \$10,000,000 maximum principal amount, which may be disbursed through draws of \$500,000 or more.
 - Draws would be based on program needs, with careful consideration of both program progress and fiscal risk.
- Interest rate for each draw based on the Secured Overnight Financing Rate (SOFR) on the date of the draw, plus 2.00% (not less 3% or more than 7% per annum).
 - SOFR is the designated successor to LIBOR for U.S. dollar loans. The 2.00% spread was determined through review of the commercial financing terms disclosed in recent applications to the California Tax Credit Allocation Committee.
- Maximum term of 10 years. Principal and interest payments may be deferred through the term of the loan or may be pre-paid at any time without penalty.
- Loan is secured through a priority "blanket lien" on all assets and revenues acquired by GSNR during the term of the loan.
- Other terms and conditions consistent with loans previously made by GSFA to NHF (including one-time \$15,000 origination fee).

This matter was considered by the Executive Committee at the February 19, 2020 meeting. The EC authorized the proposal to be brought forward to the full Board, subject to review of the proposed loan terms and documents and program progress by the Board prior to approval. At the time this was discussed with the EC, it was contemplated that the loan terms would first be presented to the GSNR Board of Directors for consideration, and then brought to the GSFA Board for final action. However, there is a pressing need to perform pre-development activities and cover the costs associated with such activities on a timely basis. To avoid unnecessary delay, it has been determined to reverse the order of presentation so that this matter may be considered first by the GSFA Board at the March 11th meeting. If approved by the GSFA Board of Directors, GSFA would proceed to present the loan terms and documents, and critical program assessment information and data, to the GSNR Board of Directors for final acceptance at an appropriate future meeting.

CEQA Determination:

GSFA will be the CEQA lead agency for the contemplated future public-private partnership with GSNR and other investors. However, this proposed loan to GSNR is a funding mechanism involving no commitment to any specific projects or specific uses at any specific locations. Consequently, the proposed loan is not a "project" as defined in CEQA Guidelines section 15378, and is further covered by the "common sense"

exemption set forth in CEQA Guidelines section 15061(c)(3) because there is no possibility the activity in question may have a significant effect on the environment.

Recommendation:

It is recommended that the GSFA Board of Directors review the proposed loan terms and documents, and approve the Resolution authorizing the proposed loan.

Attachments

- Proposed Resolution Approving a Loan to Golden State Natural Resources, Inc. and Certain Related Matters
- Loan Agreement
- Promissory Note
- Commercial Security Agreement

GSFA RESOLUTION NO. 2020-03

RESOLUTION OF THE BOARD OF DIRECTORS OF GOLDEN STATE FINANCE AUTHORITY APPROVING A LOAN TO GOLDEN STATE NATURAL RESOURCES, INC. AND CERTAIN RELATED MATTERS

WHEREAS, the Authority is a joint powers agency organized and existing under Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the California Government Code; and

WHEREAS, under the terms of the Authority's *Amended and Restated Joint Exercise of Powers Agreement*, the Authority has the purpose and power to provide financing for the acquisition, construction, improvement, preservation and rehabilitation of real property and infrastructure, and to establish and operate programs and projects to promote public safety, economic development, and environmental protection, including without limitation forest resiliency, wildfire risk reduction, air quality improvement, and waste diversion and reuse, in accordance with applicable provisions of law for the benefit of residents and communities; and

WHEREAS, the Authority is subject to the restrictions upon the manner of exercising these powers applicable to a general law county; and

WHEREAS, in May 2019, the Authority authorized the creation of Golden State Natural Resources, Inc. (GSNR), a nonprofit public benefit corporation organized exclusively for the purpose of promoting public safety, forest resiliency, wildfire risk reduction, air quality improvement, organic waste reduction, rural economic development and public purposes related thereto; and

WHEREAS, the Board of Directors of the Authority has adopted Resolution No. 19-06, which recognizes GSNR's purposes of promoting public safety, forest resiliency, wildfire risk reduction, air quality improvement, organic waste reduction, and rural economic development as burdens of government, and declares that the formation and operation of GSNR will lessen those burdens; and

WHEREAS, GSNR, as one of its primary purposes, supports the functions of the Authority and its Board of Directors, and the Authority has the power and responsibility to appoint two members of GSNR's Board of Directors; and

WHEREAS, GSNR has initiated a program to remove woody biomass fire fuels from California's forests, thereby reducing wildfire risk, and to process the fuels reduction byproducts into productive resources, including but not limited to biomass fuel pellets, at modernized processing facilities located in rural California (collectively, the "Program"); and

WHEREAS, a substantial portion of the Program activities will be conducted within the Authority's member counties; and

WHEREAS, the Program activities will provide numerous benefits to the Authority and its member counties, including improved public safety, forest resiliency, wildfire risk reduction, air quality improvement, organic waste reduction, rural economic development; and

WHEREAS, GSNR has requested that the Authority provide certain funding for the Program, consisting of a loan in an amount not to exceed \$10,000,000, upon terms and conditions hereinafter described; and

WHEREAS, providing such a loan to fund the Program serves the public purposes of the Authority and its member counties; and

WHEREAS, providing such a loan is within the powers and purposes authorized under the *Amended and Restated Joint Exercise of Powers Agreement*, and is further consistent with the powers and restrictions applicable to a general law county pursuant to Government Code sections 26227 and 31000, article XI, section 7 of the California Constitution, and other applicable provisions of law;

NOW, THEREFORE, BE IT RESOLVED by the Board of the Authority as follows:

1. The above recitals, and each of them, are true and correct.
2. The Board hereby authorizes the Authority to make a loan to GSNR (the "GSNR Loan") from any legally available funds of the Authority in an amount not to exceed \$10,000,000, upon the terms and conditions set forth in this Resolution and its attachments.
3. The forms of Loan Agreement, Promissory Note, and Commercial Security Agreement attached to this Resolution are hereby approved, and the Executive Director, or his or her designee, is hereby authorized and directed, for and in the name of and on behalf of the Authority, to execute, acknowledge and deliver the Loan Agreement, Promissory Note, and Commercial Security Agreement in substantially the form presented at this meeting with such additions thereto and changes therein necessary or desirable to effect the GSNR Loan as are approved by the Executive Director or designee, such approval to be conclusively evidenced by the execution and delivery thereof.
4. The GSNR loan proceeds shall be used by GSNR to finance Program development activity and cash flow requirements relating to the Program, as more fully set forth in GSNR's Application for Recognition of Exemption under Section 501(c)(3) filed with the Internal Revenue Service.
5. In accordance with Government Code section 1091.5, subdivision (a)(8), it is hereby noted that five members of the Board of Directors of the Authority serve as noncompensated directors of GSNR, a nonprofit, tax-exempt corporation, which, as one of its primary purposes, supports the functions of the Authority, and that certain officers and employees of the Authority also serve as noncompensated officers of GSNR.
6. All actions heretofore taken by the officers and agents of the Authority with respect to the making of the GSNR Loan are hereby approved, confirmed and ratified.

7. The Executive Director of the Authority or designee is hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things, including the expenditure of any funds for the Authority, and take any and all actions and execute and deliver any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the GSNR Loan in accordance with this Resolution.

8. The GSFA Executive Committee is hereby authorized to approve, on behalf of GSFA, the subordination of GSFA's security interest in any collateral for the GSNR loan as necessary or desirable to facilitate financing or operation of the Program, and to approve any transactions involving collateral for the GSNR loan for which GSFA's consent is required.

9. This Resolution shall take effect from and after its adoption.

PASSED APPROVED AND ADOPTED by the Board of Directors of Golden State Finance Authority, the 11th day of March 2020 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Golden State Finance Authority

2020 Chair of the Board
Supervisor Kevin Cann, Mariposa County

I certify that the foregoing resolution is a true and accurate copy of GSFA Resolution No. 2020-03, approved by the governing board of the Golden State Finance Authority on March 11, 2020 in Sacramento, California.

Date: March 11, 2020

Assistant Secretary

LOAN AGREEMENT

| Principal | First Loan Advance Date | Maturity Date |
|----------------------------------|----------------------------|------------------|
| Not-to-exceed \$10,000,000.00 | ___-___-2020 | ___-___-2030 |

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.

Borrower: GOLDEN STATE NATURAL RESOURCES, INC.
1215 K STREET, SUITE 1650
SACRAMENTO, CA 95814

Lender: GOLDEN STATE FINANCE AUTHORITY
1215 K STREET, SUITE 1650
SACRAMENTO, CA 95814

THIS LOAN AGREEMENT dated _____, 2020, is made and executed between GOLDEN STATE NATURAL RESOURCES, INC. ("Borrower") and GOLDEN STATE FINANCE AUTHORITY ("Lender") on the following terms and conditions. Borrower understands and agrees that: (A) in granting, renewing, or extending the Loan, Lender is relying upon Borrower's representations, warranties, and agreements as set forth in this Agreement; (B) the granting, renewing, or extending of the Loan and the making of any Advance by Lender at all times shall be subject to Lender's sole judgment and discretion; and (C) all such Advances of the Loan shall be and remain subject to the terms and conditions of this Agreement.

PURPOSE OF LOAN. Borrower was created pursuant to the California Nonprofit Public Benefit Corporation Law, Chapters 1 through 19 of Part 2 of Division 2 of the Corporations Code of the state (the "Act"), and is organized exclusively for the purpose of promoting public safety, forest resiliency, wildfire risk reduction, air quality improvement, organic waste reduction, rural economic development, and public purposes related thereto. The Borrower has initiated a program to remove woody biomass fire fuels from California's forests, thereby reducing wildfire risk, and to process the fuels reduction byproducts into productive resources, including but not limited to biomass fuel pellets, at modernized processing facilities located in rural California (collectively, the "Program"). A substantial portion of the Program activities will be conducted within the member counties of the Golden State Finance Authority. The governing bodies of Lender and Borrower have each approved resolutions authorizing the loan of not to exceed \$10,000,000 by Lender to Borrower to facilitate the Program. Advances of the Loan will be used to finance Program development activity and cash flow requirements relating to the Program, as more fully set forth in Borrower's Application for Recognition of Exemption under Section 501(c)(3) filed with the Internal Revenue Service.

LOAN TERMS. In accordance with the Lender resolution authorizing the making of the Loan, the required terms of the Loan are as follows: (i) The Loan shall have an original principal amount not to exceed \$10,000,000 (the "Borrowing Base"); (ii) the Loan shall have a maturity of not later than _____, 2030; and (iii) the Loan shall be secured by a "blanket lien" upon both existing and after-acquired collateral as set forth in the Commercial Security Agreement, and such collateralization shall be comprised of a first priority lien on the pledged collateral. The Loan shall be evidenced by a Promissory Note, which sets forth the interest rate and payment terms for the Loan, among other things.

TERM. This Agreement shall be effective as of _____, 2020, and shall continue in full force and effect until such time as each Advance of the Loan has been paid in full, including principal, interest, costs, expenses, attorneys' fees, and other fees and charges, or until such time as the parties may agree in writing to terminate this Agreement. There are no periodic payments on this loan. The outstanding principal balance of each and every Advance and any accrued but unpaid interest shall be due and payable on the Maturity Date. No Advance will be made after _____, 2030.

ADVANCE AUTHORITY. Advances under the Loan may be requested by Borrower as provided in this paragraph. Each request for an Advance shall be made in writing signed by no less than two of the following officers of Borrower: President, Vice President/Secretary, and Chief Financial Officer. Minimum advances of \$500,000.00 or any amount in excess thereof shall be disbursed upon the request of the authorized individuals.

ADVANCES. Lender agrees to make Advances of the Loan to Borrower from time to time from the date of this Agreement to the Expiration Date, provided the aggregate amount of such Advances outstanding at any time does not exceed the Borrowing Base. Within the foregoing limits, Borrower may borrow under this Agreement as follows:

Conditions Precedent to Each Advance. Lender's obligation to make any Advance to or for the account of Borrower under this Agreement is subject to the following conditions precedent, with all documents, instruments, opinions, reports, and other items required under this Agreement to be in form and substance satisfactory to Lender:

- (1) Lender shall have received evidence that this Agreement and all Related Documents have been duly authorized, executed, and delivered by Borrower to Lender.
- (2) Lender shall have received such opinions of counsel, supplemental opinions, and documents as Lender may request.
- (3) The security interests in the Collateral shall have been duly authorized, created, and perfected with first lien priority and shall be in full force and effect.
- (4) Borrower shall have paid to Lender all fees, costs, and expenses specified in this Agreement and the Related Documents as are then due and payable. The parties agree that the sum of \$15,000.00 is a reasonable approximation of the expenses incurred by Lender in the origination of this loan. Borrower authorizes Lender to deduct the sum of \$15,000.00 from the funds transferred to Borrower in the first advance hereunder as and for the origination expense.
- (5) There shall not exist at the time of any Advance a condition which would constitute an Event of Default under this Agreement.

Making Loan Advances. Advances under this credit facility, as well as directions for payment, may be requested orally or in writing by authorized persons. Lender may, but need not, require that all oral requests be confirmed in writing. Each Advance shall be conclusively deemed to have been made at the request of and for the benefit of Borrower when advanced in accordance with the instructions of an authorized person. Lender, at its

option, may set a cutoff time, after which all requests for Advances will be treated as having been requested on the next succeeding Business Day. Under no circumstances shall Lender be required to make any Advance in an amount less than \$500,000.00.

Mandatory Loan Repayments. If at any time the aggregate principal amount of the outstanding Advances shall exceed the Borrowing Base, Borrower, immediately upon written or oral notice from Lender, shall pay to Lender an amount equal to the difference between the outstanding principal balance of the Advances and the Borrowing Base by no later than the Friday following notification by the Lender. On the Maturity Date, Borrower shall pay to Lender in full the aggregate unpaid principal amount of each and every Advance that is then outstanding and all accrued unpaid interest, together with all other applicable fees, costs and charges, if any, not yet paid.

Loan Account. Lender shall maintain on its books a record of account in which Lender shall make entries for each Advance and such other debits and credits as shall be appropriate in connection with the credit facility. Lender shall provide Borrower with periodic statements of Borrower's account, which statements shall be considered to be correct and conclusively binding on Borrower unless Borrower notifies Lender to the contrary within thirty (30) days after Borrower's receipt of any such statement which Borrower deems to be incorrect.

COLLATERAL. To secure payment of the Loan and all other amounts due under this Agreement, the Note, or Related Documents, Borrower shall grant to Lender a "blanket lien" upon any and all Collateral heretofore or hereinafter acquired, as set forth in the Commercial Security Agreement.

CONDITIONS PRECEDENT TO EACH ADVANCE. Lender's obligation to make the initial Advance and each subsequent Advance under this Agreement shall be subject to the fulfillment to Lender's satisfaction of all of the conditions set forth in this Agreement and in the Related Documents.

Loan Documents. Borrower shall provide to Lender the following executed documents for the Loan: this Agreement, the Note, and all such Related Documents, if any, as Lender may require for the Loan; all in form and substance satisfactory to Lender and Lender's counsel.

Fees and Expenses Under This Agreement. Borrower shall have paid to Lender all fees, costs, and expenses specified in this Agreement and the Related Documents as are then due and payable.

Representations and Warranties. The representations and warranties set forth in this Agreement, in the Related Documents, and in any document or certificate delivered to Lender under this Agreement are true and correct.

No Event of Default. There shall not exist at the time of any Advance a condition which would constitute an Event of Default under this Agreement or under any Related Document.

REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Lender, as of the date of this Agreement, as of the date of each disbursement of loan proceeds, as of the date of any renewal, extension or modification of any Loan, and at all times any Indebtedness exists:

Organization. Borrower is a nonprofit corporation which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the State of California. Borrower is duly authorized to transact business in all other states in which Borrower is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which Borrower is doing business as required. Borrower has the full power and authority to own its properties and to transact the business in which it is presently engaged or presently proposes to engage. Borrower maintains an office at 1215 K STREET, SUITE 1650, SACRAMENTO, CA 95814. Unless Borrower has designated otherwise in writing, the principal office is the office at which Borrower keeps its books and records including its records concerning the Collateral. Borrower will notify Lender prior to any change in the location of Borrower's state of organization or any change in Borrower's name. Borrower shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of any governmental or quasi-governmental authority or court applicable to Borrower and Borrower's business activities.

Authorization. Borrower's execution, delivery, and performance of this Agreement and all the Related Documents have been duly authorized by all necessary action by Borrower and do not conflict with, result in a violation of, or constitute a default under (1) any provision of (a) Borrower's articles of incorporation or organization, or bylaws, or (b) any agreement or other instrument binding upon Borrower or (2) any law, governmental regulation, court decree, or order applicable to Borrower or to Borrower's properties.

Financial Information. Each of Borrower's financial statements supplied to Lender truly and completely disclosed Borrower's financial condition as of the date of the statement, and there has been no material adverse change in Borrower's financial condition subsequent to the date of the most recent financial statement supplied to Lender. Borrower has no material contingent obligations except as disclosed in such financial statements.

Legal Effect. This Agreement constitutes, and any instrument or agreement Borrower is required to give under this Agreement when delivered will constitute legal, valid, and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms.

Litigation and Claims. No litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Borrower is pending or threatened, and no other event has occurred which may materially adversely affect Borrower's financial condition or properties, other than litigation, claims, or other events, if any, that have been disclosed to and acknowledged by Lender in writing.

Lien Priority. Unless otherwise previously disclosed to Lender in writing, Borrower has not entered into or granted any Security Agreements, or permitted the filing or attachment of any Security Interests on or affecting any of the Collateral directly or indirectly securing repayment of Borrower's Loan and Note, that would be prior or that may in any way be superior to Lender's Security Interests and rights in and to such Collateral.

Binding Effect. This Agreement, the Note, the Security Agreement, and all Related Documents are binding upon the signers thereof, as well as upon their successors, representatives and assigns, and are legally enforceable in accordance with their respective terms.

AFFIRMATIVE COVENANTS. Borrower covenants and agrees with Lender that, so long as this Agreement remains in effect, Borrower will:

Notices of Claims and Litigation. Promptly inform Lender in writing of (1) all material adverse changes in Borrower's financial condition, and (2) all existing and all threatened litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower which could materially affect the financial condition of Borrower.

Financial Records. Maintain its books and records in accordance with GAAP, applied on a consistent basis, and permit Lender to examine and audit Borrower's books and records at all reasonable times.

Financial and Other Statements. Furnish Lender with the following as soon as available, but in no event later than one-hundred-twenty (120) days after the end of each fiscal year, Borrower's balance sheet and income statement for the year ended, audited by a certified public accountant satisfactory to Lender.

All financial reports required to be provided under this Agreement shall be prepared in accordance with GAAP, applied on a consistent basis, and certified by Borrower as being true and correct in all material respects, to the best of their knowledge or belief, (or as true and correct in all respects, if the representations or warranties contained in such report are qualified by materiality).

Contemporaneous with the aforementioned statements, Borrower shall annually provide Lender with (1) a report describing all Program activities occurring and the uses of any Loan proceeds during the preceding fiscal year; and (2) a current schedule listing with specificity all property meeting the definition of "Collateral" as set forth in the Commercial Security Agreement.

Additional Information. Furnish such additional information and statements, as Lender may request from time to time.

Loan Proceeds. Use all Loan proceeds solely for the Program as described under the caption "PURPOSE OF LOAN" above.

Taxes, Charges and Liens. Pay and discharge when due all of its indebtedness and obligations, including without limitation all assessments, taxes, governmental charges, levies and liens, of every kind and nature, imposed upon Borrower or its properties, income, or profits, prior to the date on which penalties would attach, and all lawful claims that, if unpaid, might become a lien or charge upon any of Borrower's properties, income, or profits. Provided however, Borrower will not be required to pay and discharge any such assessment, tax, charge, levy, lien or claim so long as (1) the legality of the same shall be contested in good faith by appropriate proceedings, and (2) Borrower shall have established on Borrower's books adequate reserves with respect to such contested assessment, tax, charge, levy, lien, or claim in accordance with GAAP.

Performance. Perform and comply, in a timely manner, with all terms, conditions, and provisions set forth in this Agreement, in the Related Documents, and in all other instruments and agreements between Borrower and Lender. Borrower shall notify Lender immediately in writing of any default in connection with any agreement.

Compliance with Governmental Requirements. Comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the conduct of Borrower's properties, businesses and operations, and to the use or occupancy of the Collateral, including without limitation, the Americans With Disabilities Act. Borrower may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Borrower has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Collateral are not jeopardized. Lender may require Borrower to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Inspection. Permit employees or agents of Lender at any reasonable time to inspect any and all Collateral for the Loan and Borrower's other properties and to examine or audit Borrower's books, accounts, and records and to make copies and memoranda of Borrower's books, accounts, and records. If Borrower now or at any time hereafter maintains any records (including without limitation computer generated records and computer software programs for the generation of such records) in the possession of a third party, Borrower, upon request of Lender, shall notify such party to permit Lender free access to such records at all reasonable times and to provide Lender with copies of any records it may request, all at Borrower's expense.

Additional Assurances. Make, execute and deliver to Lender such promissory notes, security agreements, financing statements, instruments, documents and other agreements as Lender or its attorneys may reasonably request to evidence and secure the Loan and to perfect all Security Interests.

RECOVERY OF ADDITIONAL COSTS. If the imposition of or any change in any law, rule, regulation or guideline, or the interpretation or application of any thereof by any court or administrative or governmental authority (including any request or policy not having the force of law) shall impose, modify or make applicable any taxes (except federal, state or local income or franchise taxes imposed on Lender), reserve requirements, capital adequacy requirements or other obligations which would (A) increase the cost to Lender for extending or maintaining the credit facilities to which this Agreement relates, (B) reduce the amounts payable to Lender under this Agreement or the Related Documents, or (C) reduce the rate of return on Lender's capital as a consequence of Lender's obligations with respect to the credit facilities to which this Agreement relates, then Borrower agrees to pay Lender such additional amounts as will compensate Lender therefor, within five (5) days after Lender's written demand for such payment, which demand shall be accompanied by an explanation of such imposition or charge and a calculation in reasonable detail of the additional amounts payable by Borrower, which explanation and calculations shall be conclusive in the absence of manifest error.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Borrower fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Borrower's failure to discharge or pay when due any amounts Borrower is required to discharge or pay under this Agreement or any Related Documents, Lender on Borrower's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on any Collateral and paying all costs for insuring, maintaining and preserving any Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Borrower. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be due and payable on the Maturity Date.

CESSATION OF ADVANCES. If Lender has made any commitment to make any Loan to Borrower, whether under this Agreement or under any other agreement, Lender shall have no obligation to make Loan Advances or to disburse Loan proceeds if: (A) Borrower is in default under the terms of this Agreement or any of the Related Documents or any other agreement that Borrower has with Lender; (B) Borrower becomes insolvent, files a petition in bankruptcy or similar proceedings, or is adjudged a bankrupt; or (C) there occurs a material adverse change in Borrower's financial condition or in the value of any Collateral securing any Loan.

DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

Payment Default. Borrower fails to make any payment when due under the Loan.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

Default in Favor of Third Parties. Borrower defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay the Loan or perform its obligations under this Agreement or any of the Related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Defective Collateralization. This Agreement, the Note, the Commercial Security Agreement, or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Right to Cure. If any default, other than a default on Indebtedness, is curable and if Borrower has not been given a notice of a similar default within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default, (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiate steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continue and complete all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

EFFECT OF AN EVENT OF DEFAULT. If any Event of Default shall occur, except where otherwise provided in this Agreement or the Related Documents, all commitments and obligations of Lender under this Agreement or the Related Documents or any other agreement immediately will terminate (including any obligation to make further Loan Advances or disbursements), and, at Lender's option, all Indebtedness immediately will become due and payable, all without notice of any kind to Borrower, except that in the case of an Event of Default of the type described in the "Insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, Lender shall have all the rights and remedies provided in the Related Documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of Lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower shall not affect Lender's right to declare a default and to exercise its rights and remedies.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

Amendments. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Attorneys' Fees; Expenses. In the event legal action is brought to enforce or interpret this Agreement, the Note, or any of the Related Documents, the prevailing party shall be entitled to an award of cost and reasonable attorneys' fees, including but not limited to the full cost to the prevailing party of publicly employed counsel. The prevailing party shall be entitled to a separate award of fees and costs incurred in post judgment proceedings to enforce, interpret or collect on any judgment obtained.

Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

Governing Law. This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of California.

Choice of Venue. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Sacramento County, State of California.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Borrower shall constitute a waiver of any of Lender's rights or of any of Borrower's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Notices. Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by tele-facsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Borrower agrees to keep Lender informed at all times of Borrower's current address. Unless otherwise provided or required by law, if there is more than one Borrower, any notice given by Lender to any Borrower is deemed to be notice given to all Borrowers.

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

Successors and Assigns. All covenants and agreements by or on behalf of Borrower contained in this Agreement or any Related Documents shall bind Borrower's successors and assigns and shall inure to the benefit of Lender and its successors and assigns. Borrower shall not, however, have the right to assign Borrower's rights under this Agreement or any interest therein, without the prior written consent of Lender.

Survival of Representations and Warranties. Borrower understands and agrees that in extending Loan Advances, Lender is relying on all representations, warranties, and covenants made by Borrower in this Agreement or in any certificate or other instrument delivered by Borrower to Lender under this Agreement or the Related Documents. Borrower further agrees that regardless of any investigation made by Lender, all such representations, warranties and covenants will survive the extension of Loan Advances and delivery to Lender of the Related Documents, shall be continuing in nature, shall be deemed made and redated by Borrower at the time each Loan Advance is made, and shall remain in full force and

effect until such time as Borrower's Indebtedness shall be paid in full, or until this Agreement shall be terminated in the manner provided above, whichever is the last to occur.

Time is of the Essence. Time is of the essence in the performance of this Agreement.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. Accounting words and terms not otherwise defined in this Agreement shall have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date of this Agreement:

Advance. The word "Advance" means a disbursement of Loan funds made, or to be made, to Borrower or on Borrower's behalf under the terms and conditions of this Agreement.

Agreement. The word "Agreement" means this Loan Agreement, as this Loan Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Loan Agreement from time to time.

Borrower. The word "Borrower" means Golden State Natural Resources, Inc., and its successors and assigns.

Borrowing Base. The words "Borrowing Base" mean \$10,000,000.00.

Business Day. The words "Business Day" mean a day on which commercial banks are open in the State of California.

Collateral. The word "Collateral" has the meaning set forth in the Commercial Security Agreement.

Commercial Security Agreement. The words "Commercial Security Agreement" means the Commercial Security Agreement dated _____, 2020 executed by Borrower and further mean and includes without limitation any agreements, promises, covenants, arrangements, understandings or other agreements, whether created by law, contract, or otherwise, evidencing, governing, representing, or creating a Security Interest.

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

Expiration Date. The words "Expiration Date" mean the date of termination of Lender's commitment to lend under this Agreement.

GAAP. The word "GAAP" means generally accepted accounting principles.

Indebtedness. The word "Indebtedness" means the indebtedness evidenced by this Agreement or the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Borrower is responsible under this Agreement or under any of the Related Documents.

Lender. The word "Lender" means Golden State Finance Authority, its successors and assigns.

Loan. The word "Loan" means any and all loans and financial accommodations from Lender to Borrower whether now or hereafter existing, and however evidenced, including without limitation those loans and financial accommodations described herein or described on any exhibit or schedule attached to this Agreement from time to time.

Maturity Date. The word "Maturity Date" means _____, 2030.

Note. The word "Note" means a promissory note dated _____, 2020 executed by Borrower, in the current principal amount of \$10,000,000.00 from Borrower to Lender together with all renewals of, extensions of, modifications of, refinancing of, consolidations of, and substitutions for the note or credit agreement. The term shall also mean any note from Borrower in favor of Lender executed by Borrower in the future which indicates that it is subject to this document.

Related Documents. The words "Related Documents" mean the Security Agreement and the Note, and further mean and include all promissory notes, credit agreements, loan agreements, securities account control agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Loan.

Security Interest. The words "Security Interest" mean, without limitation, any and all types of collateral security, present and future, whether in the form of a lien, charge, encumbrance, mortgage, deed of trust, security deed, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever whether created by law, contract, or otherwise.

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS. THIS LOAN AGREEMENT IS DATED _____, 2020.

BORROWER:

GOLDEN STATE NATURAL RESOURCES, INC.

By: _____
**GREGORY NORTON, President of Golden State
Natural Resources, Inc.**

Attest:

**CRAIG FERGUSON, Vice President/Secretary of
Golden State Natural Resources, Inc.**

LENDER:
GOLDEN STATE FINANCE AUTHORITY

By: _____
**KEVIN CANN, Chairperson of
Golden State Finance Authority Board of Directors**

Attest:

**CRAIG FERGUSON, Assistant Secretary of
Golden State Finance Authority**

PROMISSORY NOTE

| Principal | First Loan Advance Date | Maturity Date |
|----------------------------------|----------------------------|------------------|
| Not-to-exceed \$10,000,000.00 | ___-___-2020 | ___-___-2030 |

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.

Borrower: GOLDEN STATE NATURAL RESOURCES, INC.
1215 K STREET, SUITE 1650
SACRAMENTO, CA 95814

Lender: GOLDEN STATE FINANCE AUTHORITY
1215 K STREET, SUITE 1650
SACRAMENTO, CA 95814

Principal Amount: \$10,000,000.00

Date of Note: _____, 2020

PROMISE TO PAY. GOLDEN STATE NATURAL RESOURCES, INC. ("Borrower") promises to pay to GOLDEN STATE FINANCE AUTHORITY ("Lender"), or order, in lawful money of the United States of America, the principal amount of Ten Million & 00/100 Dollars (\$10,000,000.00) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance. Interest shall be calculated from the date of each advance until repayment of each advance.

DEFINITIONS. Terms used and not defined in this Promissory Note shall have the meanings set forth in the Loan Agreement of even date herewith (the "Loan Agreement") between Lender and Buyer, setting forth the terms and conditions of the Loan evidenced by this Promissory Note.

PAYMENT. There are no periodic payments on this Promissory Note. Borrower will pay each and every Advance of the Loan, including all outstanding principal plus all accrued unpaid interest, on the Maturity Date, unless prepaid as provided herein. Borrower may prepay the outstanding principal of any Advance in whole or in part at any time, plus all accrued unpaid interest on such principal amount as described in the "PREPAYMENT; MINIMUM INTEREST CHARGE" section. Unless otherwise agreed or required by applicable law, payments will be applied to the loan as described in the "HOW YOUR PAYMENTS ARE APPLIED" section. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

MANDATORY REPAYMENTS: Borrower will be required to make a payment of principal outstanding under this Note to the extent that the sum of the amount outstanding under the Note exceeds \$10,000,000. In such event, the Borrower shall immediately prepay an aggregate amount equal to such excess.

FIXED INTEREST RATE FOR EACH ADVANCE. The interest rate on this Note is fixed by agreement between Borrower and Lender as to each given principal amount advanced based on the Secured Overnight Financing Rate (SOFR) on the date of the Advance plus 2.00%, provided that the minimum interest rate payable hereunder on any Advance shall be 3% and the maximum interest rate shall be 7%. "SOFR" with respect to any day means the secured overnight financing rate published for such day by the Federal Reserve Bank of New York, as the administrator of the benchmark, (or a successor administrator) on the Federal Reserve Bank of New York's Website. If at any time the Index is no longer available, Lender, with notice to Borrower, will choose a new index that in Lender's sole determination is based on comparable information. Lender will tell Borrower the current Index rate upon Borrower's request. Interest on the unpaid principal balance of this Note will be calculated as described in the "INTEREST CALCULATION METHOD" paragraph.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 365/360 basis, actual days elapsed; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. All interest payable under this Note is computed using this method. This calculation method results in a higher effective interest rate than the numeric interest rate stated in this Note.

LEAP YEAR. In the event of a leap year, the annual interest rate for this Note will be computed on a 366/360 day basis.

PREPAYMENT; MINIMUM INTEREST CHARGE. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. In any event, even upon full prepayment of this Note, Borrower understands that Lender is entitled to a minimum interest charge of \$100.00. Other than Borrower's obligation to pay any minimum interest charge, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Golden State Finance Authority, 1215 K Street, Suite 1650, Sacramento, CA 95814.

LATE CHARGE. If a payment is late 15 days or more, Borrower will be charged 5.000% of the payment due or \$100.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon default, the interest rate on this Note shall, if permitted under applicable law, immediately increase by adding an additional 4.000 percentage point margin ("Default Rate Margin"). The Default Rate Margin shall also apply to each succeeding interest rate change that would have applied had there been no default.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender

and Borrower.

Default in Favor of Third Parties. Borrower defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Insolvency. The dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Cure Provisions. If any default, other than a default in payment is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

MINIMUM INTEREST RATE AFTER DEFAULT. In no event shall the interest rate after default be less than 6.75%.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. In the event legal action is brought to enforce or interpret the this Note or any of the Related Documents, the prevailing party shall be entitled to an award of cost and reasonable attorneys' fees, including but not limited to the full cost to the prevailing party of publicly employed counsel. The prevailing party shall be entitled to a separate award of fees and costs incurred in post judgment proceedings to enforce, interpret or collect on any judgment obtained...

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of California.

CHOICE OF VENUE. If there is a lawsuit, Borrower agrees upon Lender's request to submit to the jurisdiction of the courts of Sacramento County, State of California.

COLLATERAL. This Note and all Advances heretofore or hereinafter made hereunder is secured by certain Collateral as set forth in the Commercial Security Agreement dated _____, 2020 and executed by Borrower.

LINE OF CREDIT. Advances under this Note may be requested by Borrower as provided in this paragraph. Each request for an Advance shall be made in writing signed by no less than two of the following officers of Borrower: President, Vice President/Secretary, and Chief Financial Officer. Minimum advances of \$500,000.00 shall be disbursed upon the request of the authorized individuals. Borrower agrees to be liable for all sums advanced in accordance with the instructions of such authorized persons. Lender will have no obligation to advance funds under this Note if: (A) Borrower is in default under the terms of this Note, (B) Borrower ceases doing business or is insolvent or (C) Borrower has applied funds provided pursuant to this Note for purposes other than those authorized by Lender.

LOAN AGREEMENT. This Note is subject to the Loan Agreement.

COLLECTION COSTS. Upon default, Lender will have the following rights in addition to any other rights provided in this Note or by law. Lender may require Borrower to pay, on demand, any of its internal costs or the costs of third parties which Lender reasonably determines were incurred because of the default. This includes internal costs such as the allocable cost of in-house counsel, staff appraisers, collection personnel, accounting personnel or other salaried employees, and the overtime or regular-time compensation of Lender's hourly employees, that is reasonably incurred as a result of Borrower's default. It further includes any fees or costs paid to third parties as a result of or on account of the default, including fees to appraisers, collection agencies, foreclosure services, title services and other reasonably incurred amounts. Amounts due under this paragraph shall be due on demand, or Lender may, at its option, add them to the balance of the Note, in which case they shall bear interest at the Note rate.

HOW YOUR PAYMENTS ARE APPLIED. Unless otherwise agreed or required by applicable law, payments will be applied first to any interest due; then to principal; then to all other charges (including but not limited to late charges, attorney fees, appraisal fees, collection costs, and any other costs or expenses) associated with enforcing this Note.

PAYMENT UPON DEFAULT. If in default at any time during the loan, the entire balance of the loan, principal and interest, or any portion thereof, may become due and payable upon demand by Lender, including any costs or expenses associated with enforcing this Note. The Lender reserves the right to apply payments in any order to the extent not prohibited by applicable law.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive any applicable statute of limitations, presentment, protest, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) the Loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify the Loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

IMMUNITY OF OFFICERS, EMPLOYEES AND MEMBERS OF BORROWER. No recourse shall be had for the payment of the principal of or interest on the Loan or for any claim based thereon or upon any obligation, covenant or agreement contained in this Note against any past, present or future officer, director, member, employee or agent of the Borrower, or of any successor corporation, either directly or through the Borrower or any successor

corporation, under any rule of law or equity, statute or constitution, or by the enforcement of any assessment or penalty or otherwise.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

GOLDEN STATE NATURAL RESOURCES, INC.

By: _____
GREGORY NORTON, President of Golden State
Natural Resources, Inc.

Attest:

**_____
CRAIG FERGUSON, Vice President/Secretary of**
Golden State Natural Resources, Inc.

COMMERCIAL SECURITY AGREEMENT

| Principal | First Loan Advance Date | Maturity Date |
|----------------------------------|----------------------------|------------------|
| Not-to-exceed \$10,000,000.00 | __-__-2020 | __-__-2030 |

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.

Grantor: GOLDEN STATE NATURAL RESOURCES, INC.
1215 K STREET, SUITE 1650
SACRAMENTO, CA 95814

Lender: GOLDEN STATE FINANCE AUTHORITY
1215 K STREET, SUITE 1650
SACRAMENTO, CA 95814

THIS COMMERCIAL SECURITY AGREEMENT dated _____, 2020, is made and executed between Golden State Natural Resources, Inc. ("Grantor") and Golden State Finance Authority ("Lender").

GRANT OF SECURITY INTEREST. For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

COLLATERAL DESCRIPTION. The word "Collateral" as used in this Agreement means the following described property, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located, in which Grantor is giving to Lender a security interest for the payment of the Indebtedness and performance of all other obligations under the Note and this Agreement:

All tangible and intangible personal property, inventory, equipment, accounts and accounts receivable (including but not limited to all health-care-insurance receivables), chattel paper, securities, commodity contracts and accounts, instruments (including but not limited to all promissory notes), letter-of-credit rights, letters of credit, documents, deposit accounts, investment property, money, other rights to payment and performance, and general intangibles (including but not limited to all software and all payment intangibles); all fixtures; all attachments, accessions, accessories, fittings, increases, tools, parts, repairs, supplies, and commingled goods relating to the foregoing property, and all additions, replacements of and substitutions for all or any part of the foregoing property; all insurance refunds relating to the foregoing property; all good will relating to the foregoing property; all records and data and embedded software relating to the foregoing property, and all equipment, inventory and software to utilize, create, maintain and process any such records and data on electronic media; and all supporting obligations relating to the foregoing property; all whether now existing or hereafter arising, whether now owned or hereafter acquired or whether now or hereafter subject to any rights in the foregoing property; and all products and proceeds (including but not limited to all insurance payments) of or relating to the foregoing property.

In addition, the word "Collateral" also includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

(A) All accessions, attachments, accessories, tools, parts, supplies, replacements of and additions to any of the collateral described herein, whether added now or later.

(B) All products and produce of any of the property described in this Collateral section.

(C) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, consignment or other disposition of any of the property described in this Collateral section.

(D) All proceeds (including insurance proceeds) from the sale, destruction, condemnation, loss, or other disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.

(E) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

Despite any other provision of this Agreement, Lender is not granted, and will not have, a nonpurchase money security interest in consumer goods, to the extent such a security interest would be prohibited by applicable law. In addition, if because of the type of any Property, Lender is required to give a notice of the right to cancel under Truth in Lending for the Indebtedness, then Lender will not have a security interest in such Collateral unless and until such a notice is given.

CROSS-COLLATERALIZATION. In addition to the Note, this Agreement secures all obligations, debts and liabilities, plus interest thereon, of Grantor to Lender, or any one or more of them, as well as all claims by Lender against Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or not due, direct or indirect, determined or

undetermined, absolute or contingent, liquidated or unliquidated whether Grantor may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter may become otherwise unenforceable.

GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL. With respect to the Collateral, Grantor represents and promises to Lender that:

Perfection of Security Interest. Grantor agrees to take whatever actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lender's interest upon any and all chattel paper and instruments if not delivered to Lender for possession by Lender.

Notices to Lender. Grantor will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (1) change in Grantor's name; (2) change in Grantor's assumed business name(s); (3) change in the management of the Corporation Grantor; (4) change in the authorized signer(s); (5) change in Grantor's principal office address; (6) change in Grantor's state of organization; (7) conversion of Grantor to a new or different type of business entity; or (8) change in any other aspect of Grantor that directly or indirectly relates to any agreements between Grantor and Lender. No change in Grantor's name or state of organization will take effect until after Lender has received notice.

No Violation. The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party, and its certificate or articles of incorporation and bylaws do not prohibit any term or condition of this Agreement.

Enforceability of Collateral. To the extent the Collateral consists of accounts, chattel paper, or general intangibles, as defined by the Uniform Commercial Code, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. At the time any account becomes subject to a security interest in favor of Lender, the account shall be a good and valid account representing an undisputed, bona fide indebtedness incurred by the account debtor, for merchandise held subject to delivery instructions or previously shipped or delivered pursuant to a contract of sale, or for services previously performed by Grantor with or for the account debtor. So long as this Agreement remains in effect, Grantor shall not, without Lender's prior written consent, compromise, settle, adjust, or extend payment under or with regard to any such Accounts. There shall be no setoffs or counterclaims against any of the Collateral, and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing.

Location of the Collateral. Except in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral (or to the extent the Collateral consists of intangible property such as accounts or general intangibles, the records concerning the Collateral) at Grantor's address shown above or at such other locations as are acceptable to Lender. Upon Lender's request, Grantor will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (1) all real property Grantor owns or is purchasing; (2) all real property Grantor is renting or leasing; (3) all storage facilities Grantor owns, rents, leases, or uses; and (4) all other properties where Collateral is or may be located.

Removal of the Collateral. Except in the ordinary course of Grantor's business, including the sales of inventory, Grantor shall not remove the Collateral from its existing location without Lender's prior written consent. To the extent that the Collateral consists of vehicles, or other titled property, Grantor shall not take or permit any action which would require application for certificates of title for the vehicles outside the State of California, without Lender's prior written consent. Grantor shall, whenever requested, advise Lender of the exact location of the Collateral.

Transactions Involving Collateral. Except for disposal of assets in the ordinary course of Grantor's business, or as otherwise provided for in this Agreement, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. While Grantor is not in default under this Agreement, Grantor may sell inventory, but only in the ordinary course of its business and only to buyers who qualify as a buyer in the ordinary course of business. A sale in the ordinary course of Grantor's business does not include a transfer in partial or total satisfaction of a debt or any bulk sale. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Lender.

Title. Grantor represents and warrants to Lender that Grantor holds good and marketable title to the Collateral, free and clear of all liens and encumbrances except for the lien of this Agreement. No financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented. Grantor shall defend Lender's rights in the Collateral against the claims and demands of all other persons.

Repairs and Maintenance. Grantor agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect. Grantor further agrees to pay when due all claims for work done on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may ever attach to or be filed against the Collateral.

Inspection of Collateral. Lender and Lender's designated representatives and agents shall have the right at all reasonable times to examine and inspect the Collateral wherever located.

Taxes, Assessments and Liens. Grantor will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the Indebtedness, or upon any of the other Related Documents. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized in Lender's sole opinion. If the Collateral is subjected to a lien which is not discharged within fifteen (15) days, Grantor shall deposit with Lender cash, a sufficient corporate surety bond or other security satisfactory to Lender in an amount adequate to provide for the discharge of the lien plus any interest, costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale of the Collateral. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings. Grantor further agrees to furnish Lender with evidence that such taxes, assessments, and governmental and other charges have been paid in full and in a timely manner. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized.

Compliance with Governmental Requirements. Grantor shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral, including all laws or regulations relating to the undue erosion of highly-erodible land or relating to the conversion of wetlands for the production of an agricultural product or commodity. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's interest in the Collateral, in Lender's opinion, is not jeopardized.

Hazardous Substances. Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains a lien on the Collateral, used in violation of any Environmental Laws or for the generation, manufacture, storage, transportation, treatment, disposal, release or threatened release of any Hazardous Substance. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any Environmental Laws, and (2) agrees to indemnify and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify shall survive the payment of the Indebtedness and the satisfaction of this Agreement.

Maintenance of Casualty Insurance. Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days' prior written notice to Lender and not including any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Grantor will provide Lender with such loss payable or other endorsements as Lender may require. If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if Lender so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

Application of Insurance Proceeds. Grantor shall promptly notify Lender of any loss or damage to the Collateral. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, shall be held by Lender as part of the Collateral. If Lender consents to repair or replacement of the damaged or destroyed Collateral, Lender shall, upon satisfactory proof of expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. If Lender does not consent to repair or replacement of the Collateral, Lender shall retain a sufficient amount of the proceeds to pay all of the Indebtedness, and shall pay the balance to Grantor. Any proceeds which have not been disbursed within six (6) months after their receipt and which Grantor has not committed to the repair or restoration of the Collateral shall be used to prepay the Indebtedness.

Insurance Reserves. Lender may require Grantor to maintain with Lender reserves for payment of insurance premiums, which reserves shall be created by monthly payments from Grantor of a sum estimated by Lender to be sufficient to produce, at least fifteen (15) days before the premium due date, amounts at least equal to the insurance premiums to be paid. If fifteen (15) days before payment is due, the reserve funds are insufficient, Grantor shall upon demand pay any deficiency to Lender. The reserve funds shall be held by Lender as a general deposit and shall constitute a non-interest-bearing account which Lender may satisfy by payment of the insurance premiums required to be paid by Grantor as they become due. Lender does not hold the reserve funds in trust for Grantor, and Lender is not the agent of Grantor for payment of the insurance premiums required to be paid by Grantor. The responsibility for the payment of premiums shall remain Grantor's sole responsibility.

Insurance Reports. Grantor, upon request of Lender, shall furnish to Lender reports on each existing policy of insurance showing such information as Lender may reasonably request including the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured; (5) the then current value on the basis of which insurance has been obtained and the manner of determining that value; and (6) the expiration date of the policy. In addition, Grantor shall upon request by Lender (however not more often than annually) have an independent appraiser satisfactory to Lender determine, as applicable, the cash value or replacement cost of the Collateral.

Financing Statements. Grantor authorizes Lender to file a UCC financing statement, or alternatively, a copy of this Agreement to perfect Lender's security interest. At Lender's request, Grantor additionally agrees to sign all other documents that are necessary to perfect, protect, and continue Lender's security interest in the Property. Grantor will pay all filing fees, title transfer fees, and other fees and costs involved unless prohibited by law or unless Lender is required by law to pay such fees and costs. Grantor irrevocably appoints Lender to execute documents necessary to transfer title if there is a default. Lender may file a copy of this Agreement as a financing statement. If Grantor changes Grantor's name or address, or the name or address of any person granting a security interest under this Agreement changes, Grantor will promptly notify the Lender of such change.

GRANTOR'S RIGHT TO POSSESSION AND TO COLLECT ACCOUNTS. Until default and except as otherwise provided below with respect to accounts, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Related Documents, provided that Grantor's right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's security interest in such Collateral. Until otherwise notified by Lender, Grantor may collect any of the Collateral consisting of accounts. At any time and even though no Event of Default exists, Lender may exercise its rights to collect the accounts and to notify account debtors to make payments directly to Lender for application to the Indebtedness. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for that purpose as Grantor shall request or as Lender, in Lender's sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Indebtedness.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Grantor fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Agreement or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be due and payable on the Maturity Date. The Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

Payment Default. Grantor fails to make any payment when due under the Indebtedness.

Other Defaults. Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

Default in Favor of Third Parties. Should Borrower or any Grantor default under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Grantor's property or Grantor's or any Grantor's ability to repay the Indebtedness or perform their respective obligations under this Agreement or any of the Related Documents.

False Statements. Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Defective Collateralization. This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Insolvency. The dissolution or termination of Grantor's existence as a going business, the insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any collateral securing the Indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Adverse Change. A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment is curable and if Grantor has not been given a notice of a breach of the same provision of this Agreement within the preceding twelve (12) months, it may be cured (and no event of default will have occurred) if Grantor, after receiving written notice from Lender demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

RIGHTS AND REMEDIES ON DEFAULT. If an Event of Default occurs under this Agreement, at any time thereafter, Lender shall have all the rights of a secured party under the California Uniform Commercial Code. In addition and without limitation, Lender may exercise any one or more of the following rights and remedies:

Accelerate Indebtedness. Lender may declare the entire Indebtedness, including any prepayment penalty which Grantor would be required to pay, immediately due and payable, without notice of any kind to Grantor.

Assemble Collateral. Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Grantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter upon the property of Grantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Grantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Grantor after repossession.

Sell the Collateral. Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor, and other persons as required by law, reasonable notice of the time and place of any public sale, or the time after which any private sale or any other disposition of the Collateral is to be made. However, no notice need be provided to any person who, after Event of Default occurs, enters into and authenticates an agreement waiving that person's right to notification of sale. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the Rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

Collect Revenues, Apply Accounts. Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in Lender's discretion transfer any Collateral into Lender's own name or that of Lender's nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

Obtain Deficiency. If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Grantor for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Grantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

Other Rights and Remedies. Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

Election of Remedies. Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, the Related Documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

DEPOSIT AGREEMENT SECURITY. Grantor hereby grants a security interest to Lender in any and all deposit accounts (checking, savings, money market or time) of Grantor at Lender, now existing or hereinafter opened, to secure the Indebtedness. This includes all deposit accounts Grantor holds jointly with someone else.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

Amendments. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Attorneys' Fees; Expenses. In the event legal action is brought to enforce or interpret the this Agreement, the Note, or any of the Related Documents, the prevailing party shall be entitled to an award of cost and reasonable attorneys' fees, including but not limited to the full cost to the prevailing party of publicly employed counsel. The prevailing party shall be entitled to a separate award of fees and costs incurred in post judgment proceedings to enforce, interpret or collect on any judgment obtained..

Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

Governing Law. This Agreement will be governed by, construed and enforced in accordance with federal law and the laws of the State of California. This Agreement has been accepted by Lender in the State of California.

Choice of Venue. If there is a lawsuit, Grantor agrees upon Lender's request to submit to the jurisdiction of the courts of Sacramento County, State of California.

Preference Payments. Any monies Lender pays because of an asserted preference claim in Grantor's bankruptcy will become a part of the Indebtedness and, at Lender's option, shall be payable by Grantor as provided in this Agreement.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Notices. Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

Power of Attorney. Grantor hereby appoints Lender as Grantor's irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect, amend, or to continue the security interest granted in this Agreement or to demand termination of filings of other secured parties. Lender may at any time, and without further authorization from Grantor, file a carbon, photographic or other reproduction of any financing statement or of this Agreement for use as a financing statement. Grantor will reimburse Lender for all expenses for the perfection and the continuation of the perfection of Lender's security interest in the Collateral.

Waiver of Co-Obligor's Rights. If more than one person is obligated for the Indebtedness, Grantor irrevocably waives, disclaims and relinquishes all claims against such other person which Grantor has or would otherwise have by virtue of payment of the Indebtedness or any part thereof, specifically including but not limited to all rights of indemnity, contribution or exoneration.

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

Successors and Assigns. Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the Indebtedness.

Survival of Representations and Warranties. All representations, warranties, and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's Indebtedness shall be paid in full.

Time is of the Essence. Time is of the essence in the performance of this Agreement.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms used and not defined in this Agreement shall have the meanings set forth in the Loan Agreement. Words and terms not otherwise defined in this Agreement or the Loan Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code:

Agreement. The word "Agreement" means this Commercial Security Agreement, as this Commercial Security Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Commercial Security Agreement from time to time.

Collateral. The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

Default. The word "Default" means the Default set forth in this Agreement in the section titled "Default".

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., Chapters 6.5 through 7.7 of Division 20 of the California Health and Safety Code, Section 25100, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

Grantor. The word "Grantor" means Golden State Natural Resources, Inc.

Hazardous Substances. The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

Indebtedness. The word "Indebtedness" means the indebtedness evidenced by the Loan Agreement or the Note or Related Documents, including all amounts due thereunder, and further including all principal and interest of each and every Advance heretofore or hereinafter made thereunder, together with all other indebtedness and costs and expenses for which Grantor is responsible under this Agreement, the Loan Agreement, the Note, or under any of the Related Documents. Specifically, without limitation, Indebtedness includes all amounts that may be indirectly secured by the Cross-Collateralization provision of this Agreement. The security interest granted hereunder shall not terminate upon the payment of the obligations evidenced in this agreement, the Loan Agreement, the Note, and Related Documents, and shall continue to secure the existence of any future advances made prior to the Expiration Date.

Lender. The word "Lender" means Golden State Finance Authority, its successors and assigns.

Loan Agreement. The words "Loan Agreement" means the Loan Agreement between Grantor and Lender dated _____, 2020, together with all renewals of, extensions of, modifications of, refinancing of, consolidations of, and substitutions for the note or loan agreement.

Note. The word "Note" means the Note executed by Golden State Natural Resources, Inc. in the principal amount of \$10,000,000.00 dated _____, 2020, together with all renewals of, extensions of, modifications of, refinancing of, consolidations of, and substitutions for the note or loan agreement.

Property. The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Collateral Description" section of this Agreement.

Related Documents. The words "Related Documents" mean the Loan Agreement and the Note, and further mean and include all promissory notes, credit agreements, loan agreements, environmental agreements, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

GRANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT AND AGREES TO ITS TERMS. THIS COMMERCIAL SECURITY AGREEMENT IS DATED _____, 2020.

**GRANTOR:
GOLDEN STATE NATURAL RESOURCES, INC.**

By: _____
**GREGORY NORTON, President of Golden State
Natural Resources, Inc.**

Attest:

**CRAIG FERGUSON, Vice President/Secretary of
Golden State Natural Resources, Inc.**

**ACCEPTED BY LENDER:
GOLDEN STATE FINANCE AUTHORITY**

By: _____
**KEVIN CANN, Chairperson of
Golden State Finance Authority Board of Directors**

Attest:

**CRAIG FERGUSON, Assistant Secretary of
Golden State Finance Authority**



To: GSFA Board of Directors

From: Greg Norton, Executive Director
Craig Ferguson, Deputy Director

Date: March 5, 2020

Re: GSFA Resolution 20-04: Authorizing Appointment of GSFA Multi-Family Action Team to Review and Approve Specific Multi-Family Projects, Public Infrastructure Financing Projects, and Projects for the Improvement or Rehabilitation of Real Property for Public Safety or Environmental Protection Purposes - **ACTION**

Summary

At the March 2018 GSFA Board of Directors meeting, the Board authorized the appointment of the Multi-Family Action Team.

The Multi-Family Action Team was created to facilitate the implementation and operation of the GSFA multi-family program. Action Team responsibilities include review and approval of financing structures, bond documents, application procedures and the participation in any application required to assist a potential developer in being awarded tax exempt volume cap by the California Debt Limit Allocation Committee (CDLAC). Awarded cap is utilized to finance the construction, acquisition, improvement and/or rehabilitation of real property with respect to multi-family projects.

Financing of multi-family projects, among other steps, require submission of an application to CDLAC for each specific project. CDLAC meetings occur at specific times during the year and project financing requests may occur at a frequency that is not conducive to delay of approval until the next scheduled GSFA Board meeting. Therefore, to facilitate the timely implementation and operation of the GSFA multi-family program, it is recommended that the GSFA Board approve Resolution 2020-04 that again approves and provides the Multi-Family Action Team the authority to review and approve specific projects, loan subsidies, if any, and related actions in furtherance of the purposes of the Authority. It is recommended the Action Team consist of five GSFA Delegates appointed by the GSFA Chair for approval by the Board.

In May 2019, the GSFA Board of Directors approved Resolution 19-09, expanding the role of the Multi-Family Action Team to include review and approval of time-sensitive public infrastructure financing projects. These may include bridge loans for ongoing water and wastewater projects facing delays in state reimbursement, and similar interim financing for which rapid action is required. It is proposed that this expanded role be continued, and that the Action Team be authorized to review and approve specific public

facility infrastructure project financing applications, and to direct staff to take such actions as may be necessary to help obtain financing for the construction, acquisition, improvement and/or rehabilitation of such infrastructure projects, in furtherance of GSFA's purposes.

Additionally, GSFA is presently exploring other opportunities to partner with member agencies to facilitate the financing of projects to improve or rehabilitate public or private property to promote public safety and/or environmental protection. These may include assisting communities in accessing funding programs for distributed energy resources, such as the CPUC's Self-Generation Incentive Program. These programs likewise often have tight timelines and require quick action that is not conducive to delay of approval until the next scheduled GSFA Board meeting. It is therefore recommended that the Action Team be further authorized to review and approve specific applications for such projects, and to direct staff to take such actions as may be necessary to help obtain financing for the improvement or rehabilitation of real property for public safety or environmental protection purposes, in furtherance of GSFA's purposes.

Recommendation:

It is recommended that the GSFA Board of Directors:

1. Review and approve GSFA Resolution 20-04: Authorizing the appointment of a multi-family review and approval action team made up of five delegates to review and approve specific multi-family projects, public infrastructure financing projects, and projects for the improvement or rehabilitation of real property for public safety or environmental protection purposes, including financing amount, all necessary documents, and all other necessary steps to implement the program on behalf of GSFA.
2. Following appointment by the GSFA Chair, approve the five-member Multi-Family Action Team.

Attachment:

- GSFA Resolution 20-04

GSFA RESOLUTION NO. 2020-04

BOARD RESOLUTION APPROVING AND AUTHORIZING APPOINTMENT OF MULTI-FAMILY REVIEW AND APPROVAL ACTION TEAM OF DELEGATES TO REVIEW AND APPROVE SPECIFIC MULTI-FAMILY PROJECTS, PUBLIC INFRASTRUCTURE FINANCING PROJECTS, AND PROJECTS FOR THE IMPROVEMENT OR REHABILITATION OF REAL PROPERTY FOR PUBLIC SAFETY OR ENVIRONMENTAL PROTECTION PURPOSES

WHEREAS, the Golden State Finance Authority is a duly constituted California joint exercise of powers authority ("JPA"), organized and existing under and by virtue of the laws of the State of California; and

WHEREAS, Section 6.c of the Amended and Restated Joint Exercise of Powers Agreement (the "JPA Agreement") for the Authority provides that the Authority has "the power to finance the construction, acquisition, improvement and rehabilitation of real property"; and

WHEREAS, Section 6.c. of the JPA Agreement also provides that the Authority "shall further have the power to establish and operate programs and projects to promote public safety...and environmental protect"; and

WHEREAS, in the exercise of its powers under the JPA Agreement and applicable law, the Authority may provide financing and related assistance for the construction, acquisition, improvement and rehabilitation of public infrastructure facilities, including without limitation water and wastewater infrastructure, located within the jurisdiction of member and associate member agencies; and

WHEREAS, Section 7.g. of the JPA Agreement provides that the Board has the authority, by resolution, to delegate any of its functions to one or more Delegates (as defined in the JPA Agreement), and to cause any such authorized Delegates to take any actions and execute documents for and in the name and on behalf of the Board or the Authority;

WHEREAS, because specific deadlines relating to the application process and other requirements associated with certain multi-family projects do not always allow for timely review and approval by the GSFA Board or the GSFA Executive Committee, the Board desires to designate a committee of Delegates and authorize said committee to review and approve specific multi-family projects on behalf of the Authority; and

WHEREAS, specific deadlines and requirements associated with financing other public benefit projects within GSFA's authorized purposes, including interim financing for public facility infrastructure projects, or projects for the improvement or rehabilitation

of real property for public safety or environmental protection purposes, similarly do not always allow for timely review and approval by the GSFA Board or the GSFA Executive Committee, and therefore the Board desires to designate the Multi-Family Review and Approval Action Team as a committee of Delegates authorized to review and approve interim financing for specific public infrastructure facility projects, or projects for the improvement or rehabilitation of real property for public safety or environmental protection purposes, on behalf of the Authority;

NOW, THEREFORE, BE IT RESOLVED BY THE Board of the Authority as follows:

1. The Board hereby approves and authorizes the creation of a Multi-Family Review and Approval Action Team (the "Multi-Family Action Team"), to consist of five (5) Delegates to be appointed by the Chair of the Authority and approved by the Board of Directors.

2. Following appointment and approval of the members of the Multi-Family Action Team as provided in Section 1, above, the Multi-Family Action Team shall thereafter have the authority to review and approve specific multi-family project applications applying for participation in a program sponsored by the Authority, on behalf of the Authority, and to direct staff to take such actions as may be necessary to help obtain financing for the construction, acquisition, improvement and/or rehabilitation of real property with respect to such multi-family projects, in furtherance of the purposes of the Authority.

3. The Multi-Family Review and Approval Action Team shall further have the additional authority to review and approve specific public facility infrastructure project applications applying for interim financing or related assistance provided by the Authority, on behalf of the Authority, and to direct staff to take such actions as may be necessary to help obtain interim financing for the construction, acquisition, improvement and/or rehabilitation of real property with respect to such public infrastructure facility projects, in furtherance of the purposes of the Authority.

The Multi-Family Review and Approval Action Team shall further have the additional authority to review and approve specific project applications applying for interim financing or related assistance provided by the Authority, on behalf of the Authority, and to direct staff to take such actions as may be necessary to help obtain interim financing for the improvement or rehabilitation of real property for public safety or environmental protection purposes, in furtherance of the purposes of the Authority.

PASSED, APPROVED AND ADOPTED by the Board of the Golden State Finance Authority, the 11th day of March 2020.

GOLDEN STATE FINANCE AUTHORITY

Kevin Cann
GSFA Board Chair

I certify that the foregoing resolution is a true and accurate copy of Resolution 2020-04, approved by the governing board of the Golden State Finance Authority on March 11, 2020 in Sacramento, California.

Date: _____

Assistant Secretary



Golden State Finance Authority (GSFA)
1215 K Street, Suite 1650 · Sacramento, California 95814
Phone: (855) 740-8422 · Fax: (916) 444-3219 · www.gsfahome.org

To: GSFA Board of Directors

From: Craig Ferguson, Deputy Director

Date: March 5, 2020

Re: California Debt Limit Allocation Committee Mortgage Credit Certificate Program Defunding - **ACTION**

Summary

On January 15, 2020, the California Debt Limit Allocation Committee (CDLAC) voted to transfer the entire 2020 single family allocation to multifamily, essentially defunding the Mortgage Credit Certificate (MCC) program. This action was unexpected and done without adequate prior notification to the hundreds of stakeholders across California who would have strenuously objected.

The voting committee is comprised of the Governor, State Treasurer, and State Controller, or their designee, and is supported by an Executive Director and professional staff who are part of the Treasurer's office.

For over 20 years local governments, nonprofit housing agencies, mortgage lenders, and real estate professionals have relied on the MCC program to help low- and moderate-income individuals and families purchase a home in California. MCC's play a critical role in promoting housing affordability and reducing the single-family homeownership gap. For this reason, MCC's are one of the most commonly identified financial assistance tools in the housing elements of GSFA member agencies.

Golden State Finance Authority (GSFA) administers a very successful MCC program across California which, so far, has resulted in helping over 2,800 low- and moderate-income first-time homebuyers purchase their home. The program is a federal income tax credit equal to 20% of the mortgage interest paid by a homeowner in the prior year. For most homeowners the credit is worth about \$2,000 to \$2,500 annually of additional income through a larger federal tax refund.

Without the MCC program, significantly fewer low-income families would qualify to purchase a home in California, and the MCC is a powerful tool to help buyers in low-income neighborhoods experiencing rising home prices. It attracts millions of dollars of private mortgage capital and is a highly efficient way to leverage local home ownership programs.

Recommendation

It is recommended that the GSFA Board of Directors approve the attached letter to State Treasurer Fiona Ma, requesting that she support restoration of full funding for the MCC program, and direct CDLAC to reconsider the matter at their next meeting.



Golden State Finance Authority (GSFA)
1215 K Street, Suite 1650 · Sacramento, California 95814
Phone: (855) 740-8422 · Fax: (916) 444-3219 · www.gsfahome.org

March 11, 2020

Fiona Ma, CPA
California State Treasurer
915 Capitol Mall, Suite 110
Sacramento, CA 95814

RE: Defunding of the California Mortgage Credit Certificate (MCC) program.

Dear Treasurer Fiona Ma,

We respectfully request that your office take immediate steps to restore the Single-Family Program (SFH) Pool, an allotment of California's State Ceiling that funds the Mortgage Credit Certificate (MCC) program. On January 15, 2020, the California Debt Limit Allocation Committee (CDLAC) unexpectedly took action to reduce the SFH pool to \$0, thereby defunding the MCC program entirely. Although CDLAC staff has previously advised the committee that "local governments use the MCC program to satisfy their fair share of housing goals" and warned them to "anticipate resistance to its' entire elimination as a category," there were no outreach efforts or adequate prior notification to the hundreds of stakeholders across California who would indeed have strenuously objected.

For over 20 years local governments, nonprofit housing agencies, mortgage lenders, and real estate professionals have relied on the MCC program to help low- and moderate-income individuals and families purchase a home in California. MCC's play a critical role in promoting housing affordability and reducing the single-family homeownership gap experienced by historically disadvantaged communities in California. For this reason, MCC's are one of the most commonly identified financial assistance tools in local housing elements, from urban areas such as the Oakland and Los Angeles, to rural communities such as Shasta and Imperial Counties.

Golden State Finance Authority (GSFA) administers a very successful MCC program across much of California in cooperation with member public agencies, which, so far, has resulted in helping over 2,800 low- and moderate-income first-time homebuyers purchase their home. The program is a federal income tax credit equal to 20% of the mortgage interest paid by a homeowner in the prior year. For most homeowners the credit is worth about \$2,000 to \$2,500 annually of additional income through a larger federal tax refund. Also, mortgage lenders can anticipate this future MCC income on a borrower's home loan application which has the impact of boosting buying power for low-income families and opening doors to home ownership that would otherwise be closed.

Without the MCC program, significantly fewer low-income families would qualify to purchase a home in California, and the MCC is a powerful tool to help buyers in low-income neighborhoods experiencing rising home prices. It attracts millions of dollars of private mortgage capital and is a highly efficient way to leverage local home ownership programs.



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CDLAC's decision to defund the MCC program is a huge blow to the efforts of local governments, non-profit housing agencies, lenders, and real estate professionals to provide a range of affordable housing options and to make sure homeownership is not an elite activity but available to persons in all income groups. Moreover, it removes a vital tool for local governments to meet state-mandated goals to provide housing affordable to all income groups. Governor Newsom and legislative leaders have made an unequivocal commitment to achieving these goals, and CDLAC's action threatens to hinder these efforts without adequate notice or consideration.

GSFA has distinguished itself as a leader in financing affordable homeownership for Californians for over two decades helping over 78,000 individuals and families purchase a home. GSFA has provided more than \$550 million in down payment assistance and participated in the financing of over \$830 million in energy efficiency improvement projects. Also, over the past 3 years, GSFA has provided \$3.5 million in emergency disaster assistance to help address the impact of forest fires on California residents. While GSFA and its member agencies have direct interest in the success of the MCC programs for their own affordable housing efforts, this issue does not just affect one agency or region of the state but has ramifications for the housing crisis throughout California.

We respectfully request that you instruct CDLAC staff to place this matter on the committee's next agenda for reconsideration, and that you advise your designee on the committee to support restoration of full funding for the MCC program. We look forward to working with your office in continued support of affordable home ownership in California.

Please do not hesitate to contact us if you have any questions.

Sincerely,

Kevin Cann, Chairman
Golden State Finance Authority Board of Directors

CC: Gavin Newsom, Governor
Betty Yee, State Controller
Judith Blackwell, Executive Director, CDLAC



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2020 GSFA Board of Directors:

Supervisor David Griffith, Alpine County
Supervisor Brian Oneto, Amador County
Supervisor Doug Teeter, Butte County
Supervisor Jack Garamendi, Calaveras County
Supervisor Denise Carter, Colusa County
Supervisor Gerry Hemmingsen, Del Norte County
Supervisor Lori Parlin, El Dorado County
Supervisor John Viegas, Glenn County
Supervisor Rex Bohn, Humboldt County
Supervisor Michael Kelley, Imperial County
Supervisor Matt Kingsley, Inyo County
Supervisor Eddie Crandall, Lake County
Supervisor Aaron Albaugh, Lassen County
Supervisor David Rogers, Madera
Supervisor Kevin Cann, Mariposa County
Supervisor Carre Brown, Mendocino County
Supervisor Daron McDaniel, Merced County
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Supervisor Jim Holmes, Placer County
Supervisor Kevin Goss, Plumas County
Supervisor Anthony Botelho, San Benito County
Supervisor Lynn Compton, San Luis Obispo
Supervisor Les Baugh, Shasta County
Supervisor Lee Adams, Sierra County
Supervisor Michael Kobseff, Siskiyou County
Supervisor Mat Conat, Sutter County
Supervisor Bob Williams, Tehama County
Supervisor Jeremy Brown, Trinity County
Supervisor Kuyler Crocker, Tulare County
Supervisor Sherri Brennan, Tuolumne County
Supervisor Gary Sandy, Yolo County
Supervisor Randy Fletcher, Yuba County

Phone Number

Name _____

Purpose of Trip, Details and Remarks:

[illegible]

Provide documentation for expenses as required in the Travel and Expense Policy for Delegates. Mileage expenses may not exceed \$0.575 per mile. For lodging in the Sacramento area, reimbursement will include lodging expense, inclusive of room rate, occupancy tax and other fees, up to a maximum of \$140 per night. Meal allowances may not exceed \$16 for breakfast, \$17 for lunch, and \$34 for dinner without prior approval, except as noted in the Travel and Expense Policy. Receipts for ALL requested reimbursements must be attached to this expense claim.

Supervisor's Signature

Mail Payment To:

Name:

Address:

City, Zip:

Office Use Only:

Approved By:

G / L Code:

Amount:

