

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

**REGULAR BOARD MEETING**

January 26, 2021

DOCUMENTS APPROVED WITH RESOLUTION

DRAFT FORMS OF LEGAL DOCUMENTS NECESSARY FOR THE CERTIFICATES OF PARTICIPATION (COPs) FOR THE 2021 ENERGY EFFICENCY PROJECTS

1. Ground Lease
2. Lease Agreement
3. Trust Agreement
4. Certificate Purchase Agreement
5. Continuing Disclosure Certificate
6. Preliminary Official Statement

# GROUND LEASE

**TO BE RECORDED AND WHEN RECORDED  
RETURN TO:**

Orrick, Herrington & Sutcliffe LLP  
2050 Main Street, Suite 1100  
Irvine, California 92614-8255  
Attention: Donald S. Field, Esq.

**THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER  
TAX PURSUANT TO SECTION 11929 OF THE CALIFORNIA REVENUE AND  
TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES  
PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.**

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## **GROUND LEASE**

**by and between**

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**and**

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
FINANCING CORPORATION**

**Dated as of [\_\_\_\_\_] 1, 2021**

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## **GROUND LEASE**

**THIS GROUND LEASE** (this “Ground Lease”), dated as of [\_\_\_\_\_] 1, 2021, is by and between the MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT, a school district organized and existing under the laws of the State of California (the “District”), as lessor, and the MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT FINANCING CORPORATION, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the “Corporation”), as lessee.

### **WITNESSETH:**

**WHEREAS**, in order to finance the acquisition, installation and equipping of solar, heating, ventilation and air conditioning and lighting systems throughout the District (the “Project”), the District has leased certain real property owned by the District and the improvements thereto (the “Property”) to the Corporation pursuant to this Ground Lease, and the District has subleased the Property back from the Corporation pursuant to a Lease Agreement, dated as of the date hereof (the “Lease Agreement”); and

**WHEREAS**, the Property is more particularly described in Exhibit A hereto; and

**WHEREAS**, the funds necessary to finance the Project are provided through the sale and delivery of the Marysville Joint Unified School District Certificates of Participation (2021 Energy Efficiency Projects) (the “Certificates”), evidencing direct, fractional undivided interests of the owners thereof in the base rental payments (the “Base Rental Payments”) to be made by the District under the Lease Agreement; and

**WHEREAS**, the Certificates are being executed and delivered pursuant to the Trust Agreement, dated as of the date hereof (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the Corporation and the District; and

**WHEREAS**, in order to provide for the execution and delivery of the Certificates, the Corporation desires to sell, assign and transfer to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Certificates, substantially all of its right, title and interest in and to this Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments, pursuant to an Assignment Agreement, dated as of the date hereof (the “Assignment Agreement”), by and between the Corporation and the Trustee; and

**WHEREAS**, in consideration of such assignment and the execution of the Trust Agreement, the Trustee has agreed to execute and deliver the Certificates; and

**WHEREAS**, this Ground Lease and a memorandum of the Lease Agreement are being recorded with the Yuba County Recorder concurrently with the recordation of the Assignment Agreement; and

**WHEREAS**, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Ground Lease do exist, have happened and have been performed in regular and due time, form and

manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Ground Lease;

**NOW, THEREFORE**, in consideration of the premises and of the mutual agreements and covenants contained herein and for other valuable consideration, the receipt of which is hereby acknowledged, the parties hereto do hereby agree as follows:

## **ARTICLE I**

### **DEFINITIONS**

Except as otherwise defined herein, or unless the context clearly otherwise requires, words and phrases defined in Article I of the Lease Agreement shall have the same meanings in this Ground Lease.

## **ARTICLE II**

### **LEASE OF THE PROPERTY; RENTAL**

**Section 2.01 Lease of Property.** The District hereby leases to the Corporation, and the Corporation hereby leases from the District, for the benefit of the Owners of the Certificates, the Property, subject only to Permitted Encumbrances, to have and to hold for the term of this Ground Lease.

**Section 2.02 Rental.** The Corporation shall pay, or cause to be paid, to the District as and for rental of the Property hereunder, the sum of not to exceed \$[\_\_\_\_\_] (the “Ground Lease Payment”). The Ground Lease Payment shall be paid from the proceeds of the Certificates; provided, however, that in the event the available proceeds of the Certificates are not sufficient to enable the Corporation to pay such amount in full, the remaining amount of the Ground Lease Payment shall be reduced to an amount equal to the amount of such available proceeds. The District shall deposit the Ground Lease Payment in one or more separate funds or accounts to be held and administered for the purpose of financing the Project.

The Corporation and the District hereby find and determine that the amount of the Ground Lease Payment does not exceed the fair market value of the leasehold interest in the Property which is conveyed hereunder by the District to the Corporation. No other amounts of rental shall be due and payable by the Corporation for the use and occupancy of the Property under this Ground Lease.

## **ARTICLE III**

### **QUIET ENJOYMENT**

The parties intend that the Property will be leased back to the District pursuant to the Lease Agreement for the term thereof. It is further intended that, to the extent provided herein and in the Lease Agreement, if an event of default occurs under the Lease Agreement, the Corporation, or its assignee, will have the right, for the then remaining term of this Ground Lease to (a) take possession of the Property, (b) if it deems it appropriate, cause an appraisal of the Property and a study of the then reasonable use thereof to be undertaken, and (c) relet the Property. Subject to

any rights the District may have under the Lease Agreement (in the absence of an event of default) to possession and enjoyment of the Property, the District hereby covenants and agrees that it will not take any action to prevent the Corporation from having quiet and peaceable possession and enjoyment of the Property during the term hereof and will, at the request of the Corporation and at the District's cost, to the extent that it may lawfully do so, join in any legal action in which the Corporation asserts its right to such possession and enjoyment.

## ARTICLE IV

### SPECIAL COVENANTS AND PROVISIONS

**Section 4.01 Waste.** The Corporation agrees that at all times that it is in possession of the Property, it will not commit, suffer or permit any waste on the Property, and that it will not willfully or knowingly use or permit the use of the Property for any illegal purpose or act.

**Section 4.02 Further Assurances and Corrective Instruments.** The District and the Corporation agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property hereby leased or intended so to be or for carrying out the expressed intention of this Ground Lease, the Lease Agreement and the Trust Agreement.

**Section 4.03 Waiver of Personal Liability.** All liabilities under this Ground Lease on the part of the Corporation shall be solely liabilities of the Corporation as a nonprofit public benefit corporation, and the District hereby releases each and every director, officer and employee of the Corporation of and from any personal or individual liability under this Ground Lease. No director, officer or employee of the Corporation shall at any time or under any circumstances be individually or personally liable under this Ground Lease to the District or to any other party whomsoever for anything done or omitted to be done by the Corporation hereunder.

All liabilities under this Ground Lease on the part of the District shall be solely liabilities of the District as a school district, and the Corporation hereby releases each and every member, officer and employee of the District of and from any personal or individual liability under this Ground Lease. No member, officer or employee of the District shall at any time or under any circumstances be individually or personally liable under this Ground Lease to the Corporation or to any other party whomsoever for anything done or omitted to be done by the District hereunder.

**Section 4.04 Taxes.** The District covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Property.

**Section 4.05 Right of Entry.** The District reserves the right for any of its duly authorized representatives to enter upon the Property at any reasonable time to inspect the same.

**Section 4.06 Representations of the District.** The District represents and warrants to the Corporation, the Insurer and the Trustee as follows:

(a) the District has the full power and authority to enter into, to execute and to deliver this Ground Lease, and to perform all of its duties and obligations hereunder, and has duly authorized the execution of this Ground Lease;

(b) except for Permitted Encumbrances, the Property is not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the use of the Property for school purposes as contemplated by the District;

(c) all taxes, assessments or impositions of any kind with respect to the Property, except current taxes, have been paid in full; and

(d) the Property is necessary to the District in order for the District to perform its governmental function relating to public education.

**Section 4.07 Representations of the Corporation.** The Corporation represents and warrants to the District, the Insurer and the Trustee that the Corporation has the full power and authority to enter into, to execute and to deliver this Ground Lease, and to perform all of its duties and obligations hereunder, and has duly authorized the execution and delivery of this Ground Lease.

## ARTICLE V

### ASSIGNMENT, SELLING AND SUBLEASING

**Section 5.01 Assignment to Trustee; Third-Party Beneficiaries.** The Corporation and District acknowledge that the Corporation has assigned its right, title and interest in and to this Ground Lease to the Trustee pursuant to the Assignment Agreement. The District understands and agrees that, upon the execution and delivery of the Assignment Agreement (which is occurring simultaneously with the execution and delivery hereof), substantially all right, title and interest of the Corporation in and to this Ground Lease will be sold, assigned and transferred to the Trustee for the benefit of the Owners of the Certificates. The District hereby consents to such sale, assignment and transfer. Upon the execution and delivery of the Assignment Agreement, references in the operative provisions hereof to the Corporation shall be deemed to be references to the Trustee, as assignee of the Corporation. The District consents to the Trust Agreement and acknowledges and agrees to the rights of the Trustee and the Insurer as set forth therein. As a material inducement to the Trustee and the Insurer, the Corporation and the District agree that the Trustee and the Insurer shall be third-party beneficiaries of this Ground Lease.

**Section 5.02 Assignment, Selling and Subleasing.** This Ground Lease may be assigned or sold, and the Property may be subleased, as a whole or in part, by the Corporation, with the prior written consent of the Insurer, or at the direction of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy), without the necessity of obtaining the consent of the District, if an event of default occurs under the Lease Agreement. The Corporation shall, within 30 days after such an assignment, sale or sublease, furnish or cause to be furnished to the District a true and correct copy of such assignment, sublease or sale, as the case may be.

**Section 5.03 Restrictions on District.** The District agrees that, except with respect to Permitted Encumbrances and except as provided in Section 8.03 hereof, it will not mortgage, sell, encumber, assign, transfer or convey the Property or any portion thereof during the term of this Ground Lease.

## ARTICLE VI

### IMPROVEMENTS

Title to all improvements made on the Property during the term hereof shall vest in the District, but shall be subject to the terms of this Ground Lease.

## ARTICLE VII

### TERM; TERMINATION

**Section 7.01 Term.** The term of this Ground Lease shall commence as of the date of commencement of the term of the Lease Agreement and shall remain in full force and effect from such date to and including the Scheduled Termination Date, June 1, 20[\_\_\_], unless such term is extended or sooner terminated as hereinafter provided.

**Section 7.02 Extension; Early Termination.** If, on the Scheduled Termination Date, the Certificates shall not be fully paid, or provision therefor made in accordance with Article X of the Trust Agreement, or the Trust Agreement shall not be discharged by its terms, or if the Rental Payments payable under the Lease Agreement shall have been abated at any time, then the term of this Ground Lease shall be automatically extended until the date upon which all Certificates shall be fully paid, or provision therefor made in accordance with Article X of the Trust Agreement, and the Trust Agreement shall be discharged by its terms, except that the term of this Ground Lease shall in no event be extended more than ten years beyond the Scheduled Termination Date. If, prior to the Scheduled Termination Date, all Certificates shall be fully paid, or provision therefor made in accordance with Article X of the Trust Agreement, and the Trust Agreement shall be discharged by its terms, the term of this Ground Lease shall end simultaneously therewith.

**Section 7.03 Action on Default.** In each and every case upon the occurrence and during the continuance of a default by the Corporation hereunder, the District shall have all the rights and remedies permitted by law, except the District, to the extent permitted by law, waives any and all rights to terminate this Ground Lease.

## ARTICLE VIII

### MISCELLANEOUS

**Section 8.01 Binding Effect.** This Ground Lease shall inure to the benefit of and shall be binding upon the District, the Corporation and their respective successors and assigns.

**Section 8.02 Severability.** In the event any provision of this Ground Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 8.03 Amendments; Substitution and Release.** This Ground Lease may be amended, changed, modified, altered or terminated (subject to the prior written consent of the Insurer) only in accordance with the provisions of the Lease Agreement. The District shall have the right to substitute alternate real property for the Property or to release portions of the Property as provided in the Lease Agreement.

**Section 8.04 Captions.** The captions or headings in this Ground Lease are for convenience only and in no way define or limit the scope or intent of any provision of this Ground Lease.

**Section 8.05 Governing Law.** This Ground Lease shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

**Section 8.06 Execution in Counterparts.** This Ground Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page left intentionally blank.]

**IN WITNESS WHEREOF**, the parties hereto have caused this Ground Lease to be executed by their respective officers thereunto duly authorized, all as of the day and year first written above.

**MARYSVILLE JOINT UNIFIED  
SCHOOL DISTRICT**

By: \_\_\_\_\_

**MARYSVILLE JOINT UNIFIED  
SCHOOL DISTRICT FINANCING  
CORPORATION**

By: \_\_\_\_\_

**EXHIBIT A**

**DESCRIPTION OF THE PROPERTY**

All that real property situated in the County of Yuba, State of California, described as follows, together with any improvements thereto:

[END OF LEGAL DESCRIPTION]

[The above-described properties are commonly referred to as (i) the Yuba Feather Elementary School located at 18008 Oregon Hill Road, Challenge, California 95925, (ii) the Ella Elementary School located at 4850 Olivehurst Avenue, Olivehurst, California 95961, (iii) Anna McKenney Intermediate School located at 1904 Huston Street, Marysville, California 95901, and (iv) Johnson Park Elementary School located at 4364 Lever Avenue, Olivehurst, California 95961.]





**CERTIFICATE OF ACCEPTANCE**

This is to certify that the interest in real property conveyed by the Ground Lease, dated as of [\_\_\_\_\_] 1, 2021, by and between the Marysville Joint Unified School District, a school district organized and existing under the laws of the State of California (the “District”), and the Marysville Joint Unified School District Financing Corporation, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the “Corporation”), from the District to the Corporation, is hereby accepted by the undersigned on behalf of the Corporation pursuant to authority conferred by resolution of the Board of Directors of the Corporation adopted on January 26, 2021, and the Corporation consents to recordation thereof by its duly authorized officer.

Dated: [\_\_\_\_\_] 1, 2021

**MARYSVILLE JOINT UNIFIED  
SCHOOL DISTRICT FINANCING  
CORPORATION**

By: \_\_\_\_\_

# LEASE AGREEMENT

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**LEASE AGREEMENT**

**by and between**

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**and**

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
FINANCING CORPORATION**

**Dated as of [\_\_\_\_\_] 1, 2021**

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## LEASE AGREEMENT

**THIS LEASE AGREEMENT** (this “Lease Agreement”), dated as of [\_\_\_\_\_] 1, 2021, is by and between the MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT, a school district organized and existing under the laws of the State of California (the “District”), as lessee, and the MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT FINANCING CORPORATION, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the “Corporation”), as lessor.

### WITNESSETH:

**WHEREAS**, in order to finance the acquisition, installation and equipping of solar, heating, ventilation and air conditioning and lighting systems throughout the District (the “Project”), the District has leased certain real property owned by the District and the improvements thereto (the “Property”) to the Corporation pursuant to a Ground Lease, dated as of the date hereof (the “Ground Lease”), and the District has subleased the Property back from the Corporation pursuant to this Lease Agreement; and

**WHEREAS**, the Property is more particularly described in Exhibit B hereto; and

**WHEREAS**, the funds necessary to finance the Project are provided through the sale and delivery of the Marysville Joint Unified School District Certificates of Participation (2021 Energy Efficiency Projects) (the “Certificates”), evidencing direct, fractional undivided interests of the owners thereof in the base rental payments (the “Base Rental Payments”) to be made by the District under this Lease Agreement; and

**WHEREAS**, the Certificates are being executed and delivered pursuant to the Trust Agreement, dated as of the date hereof (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the Corporation and the District; and

**WHEREAS**, in order to provide for the execution and delivery of the Certificates, the Corporation desires to sell, assign and transfer to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Certificates, substantially all of its right, title and interest in and to the Ground Lease and this Lease Agreement, including its right to receive the Base Rental Payments, pursuant to an Assignment Agreement, dated as of the date hereof (the “Assignment Agreement”), by and between the Corporation and the Trustee; and

**WHEREAS**, in consideration of such assignment and the execution of the Trust Agreement, the Trustee has agreed to execute and deliver the Certificates; and

**WHEREAS**, the Ground Lease and a memorandum of this Lease Agreement are being recorded with the Yuba County Recorder concurrently with the recordation of the Assignment Agreement; and

**WHEREAS**, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this

Lease Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Lease Agreement;

**NOW, THEREFORE**, in consideration of the premises and of the mutual agreements and covenants contained herein and for other valuable consideration, the receipt of which is hereby acknowledged, the parties hereto do hereby agree as follows:

## **ARTICLE I**

### **DEFINITIONS; RULES OF CONSTRUCTION**

**Section 1.01. Definitions.** Certain terms are defined in Exhibit A attached hereto and by this reference incorporated herein. Unless the context otherwise requires, the terms defined in Exhibit A hereto shall, for all purposes of this Lease Agreement, have the meanings herein specified.

**Section 1.02. Rules of Construction.** (a) The terms defined herein expressed in the singular shall, unless the context otherwise indicates, include the plural and vice versa.

(b) The use herein of the masculine, feminine or neuter gender is for convenience only and shall be deemed and construed to include correlative words of the masculine, feminine or neuter gender, as appropriate.

(c) References herein to a document shall include all amendments, supplements or other modifications to such document, and any replacements, substitutions or novation of, that document.

(d) Any term defined herein by reference to another document shall continue to have the meaning ascribed thereto whether or not such other document remains in effect.

(e) The use herein of the words “including” and “includes,” and words of similar import, shall be deemed to be followed by the phrase “without limitation.”

(f) Headings of Articles and Sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(g) All references herein to designated “Articles,” “Sections,” “Exhibits,” “subsections,” “paragraphs,” “clauses,” and other subdivisions are to the designated Articles, Sections, Exhibits, subsections, paragraphs, clauses, and other subdivisions of this Lease Agreement.

(h) The words “hereof” (except when preceded by a specific Section or Article reference) “herein,” “hereby,” “hereunder,” “hereinabove,” “hereinafter,” and other equivalent words and phrases used herein refer to this Lease Agreement and not solely to the particular portion hereof in which any such word is used.

## ARTICLE II

### LEASE OF PROPERTY; TERM

**Section 2.01. Lease of Property.** (a) The Corporation hereby leases to the District and the District hereby leases from the Corporation the Property, on the terms and conditions set forth herein, and subject to all Permitted Encumbrances.

(b) The leasing of the Property by the District to the Corporation pursuant to the Ground Lease shall not effect or result in a merger of the District's leasehold estate in the Property as lessee under this Lease Agreement and its fee estate in the Property as lessor under the Ground Lease, and the Corporation shall continue to have a leasehold estate in the Property pursuant to the Ground Lease throughout the term thereof and hereof. This Lease Agreement shall constitute a sublease with respect to the Property. The leasehold interest in the Property granted by the District to the Corporation pursuant to the Ground Lease is and shall be independent of this Lease Agreement; this Lease Agreement shall not be an assignment or surrender of the leasehold interest in the Property granted to the Corporation under the Ground Lease.

**Section 2.02. Term; Occupancy.** (a) The term of this Lease Agreement shall commence on the Delivery Date and shall end on the Scheduled Termination Date, unless such term is extended or sooner terminated as hereinafter provided. If on the Scheduled Termination Date the Certificates shall not be fully paid, or provision therefor made in accordance with Article X of the Trust Agreement, or the Trust Agreement shall not be discharged by its terms, or if the Rental Payments shall remain due and payable or shall have been abated at any time and for any reason, then the term of this Lease Agreement shall be automatically extended until the date upon which all Certificates shall be fully paid, or provision therefor made in accordance with Article X of the Trust Agreement, and the Trust Agreement shall be discharged by its terms and all Rental Payments shall have been paid in full, except that the term of this Lease Agreement shall in no event be extended more than ten years beyond the Scheduled Termination Date. If prior to the Scheduled Termination Date, or prior to the date to which the term of this Lease Agreement has been extended pursuant to this Section, all Certificates shall be fully paid, or provision therefor made in accordance with Article X of the Trust Agreement, the Trust Agreement shall be discharged by its terms and all Rental Payments shall have been paid in full, the term of this Lease Agreement shall end simultaneously therewith.

(b) The District shall take possession of the Property on the Delivery Date.

## ARTICLE III

### RENTAL PAYMENTS

**Section 3.01. Base Rental Payments.** (a) *General.* Subject to the provisions of Section 3.06 and Article VII of this Lease Agreement and the provisions hereof relating to a revision of the Base Rental Payment Schedule pursuant to subsection (b) of this Section, the District shall pay to the Corporation, as Base Rental Payments, the amounts, at the times, specified in the Base Rental Payment Schedule, a portion of which Base Rental Payments shall constitute principal components and a portion of which shall constitute interest components. The interest components of the Base Rental Payments shall be paid by the District as and constitute interest paid on the principal components of the Base Rental Payments. Except to the extent specified in Section 3.06 hereof, Rental Payments, including Base Rental Payments, shall be paid by the District to the Corporation for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Period for which such Rental Payments are to be paid.

The obligation of the District to make the Base Rental Payments does not constitute a debt of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State of California is obligated to levy or pledge any form of taxation or for which the District or the State of California has levied or pledged any form of taxation.

(b) *Payments other than Regularly Scheduled Payments.* If the term of this Lease Agreement shall have been extended pursuant to Section 2.02 hereof, the obligation of the District to pay Rental Payments shall continue to and including the date of termination of the term of this Lease Agreement as so extended. Upon such extension, the principal and interest components of the Base Rental Payments shall be established so that the principal components will in the aggregate be sufficient to pay all extended and unpaid principal components and the interest components will in the aggregate be sufficient to pay all extended and unpaid interest components; provided, however, that the Rental Payments payable in any Rental Period shall not exceed the annual fair rental value of the Property

**Section 3.02. Additional Rental Payments.** The District shall also pay, as Additional Rental Payments, such amounts as shall be required for the payment of the following:

(a) all taxes and assessments of any type or nature charged to the Corporation or the District or affecting the Property or the respective interests or estates of the Corporation or the District therein;

(b) all reasonable administrative costs of the Corporation relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Corporation under the Trust Agreement, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the

terms of the Trust Agreement or this Lease Agreement or to defend the Corporation and its members, directors, officers, agents and employees;

(c) insurance premiums for all insurance required pursuant to Article V hereof;

(d) any amounts with respect to this Lease Agreement, the Trust Agreement or the Certificates required to be rebated to the federal government in accordance with section 148(f) of the Code; and

(e) all other payments not constituting Base Rental Payments required to be paid by the District under the provisions of this Lease Agreement or the Trust Agreement, including amounts payable to the Insurer or the Reserve Insurer.

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

**Section 3.03. Fair Rental Value.** The parties hereto have agreed and determined that the Rental Payments are not in excess of the Fair Rental Value of the Property. In making such determination of Fair Rental Value, consideration has been given to the uses and purposes that may be served by the Property and the benefits therefrom that will accrue to the District and the general public. Payments of the Rental Payments for the Property during each Rental Period shall constitute the total rental for said Rental Period.

**Section 3.04. Payment Provisions.** Each installment of Base Rental Payments payable hereunder shall be paid in lawful money of the United States of America to or upon the order of the Trustee, as assignee of the Corporation, at the Principal Office of the Trustee, or such other place or entity as the Trustee shall designate. Each Base Rental Payment shall be deposited with the Trustee, as assignee of the Corporation, no later than the Base Rental Deposit Date preceding the Interest Payment Date on which such Base Rental Payment is due. Any Base Rental Payment that shall not be paid by the District when due and payable under the terms of this Lease Agreement shall bear interest from the date when the same is due hereunder until the same shall be paid (a) at the Insurer Rate to the extent that (i) such Base Rental Payment has been paid to the Owners, on behalf of the District, by the Insurer pursuant to the Insurance Policy, or (ii) such Base Rental Payment has been paid to the Owners, on behalf of the District, from moneys on deposit in the Reserve Fund as a result of a payment under the Reserve Policy, or (b) in all other cases, at the rate equal to the highest rate of interest evidenced by any of the Outstanding Certificates. Notwithstanding any dispute between the Corporation and the District, the District shall make all Rental Payments when due without deduction or offset of any kind and shall not withhold any Rental Payments pending the final resolution of such dispute. In the event of a determination that the District was not liable for said Rental Payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent Rental Payments due hereunder or refunded at the time of such determination. Amounts required to be deposited by the District with the Trustee pursuant to this Section on any date shall be reduced to the extent of

available amounts on deposit in the Base Rental Payment Fund, the Interest Fund or the Principal Fund.

**Section 3.05. Appropriations Covenant.** The District covenants to take such action as may be necessary to include all Rental Payments due hereunder as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The covenants on the part of the District herein contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in this Lease Agreement agreed to be carried out and performed by the District.

**Section 3.06. Rental Abatement.** (a) Except as otherwise specifically provided in this Section, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the District's right to use and occupy any portion of the Property, Rental Payments shall be abated proportionately based on the percentage of the Property that is made unavailable for the District's use and occupancy and the percentage of the Property that is not made unavailable for the District's use and occupancy as a result of such damage, destruction, condemnation or title defect, and the District waives the benefits of California Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate this Lease Agreement by virtue of any such interference, and this Lease Agreement shall continue in full force and effect. The District and the Corporation shall, in a reasonable manner and in good faith, determine the amount of such abatement; provided, however, that the Rental Payments due for any Rental Period shall not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the District during such Rental Period. The District and the Corporation shall provide the Trustee and the Insurer with a certificate setting forth the amount of abatement and the basis therefor. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and, to the extent necessary to pay extended and unpaid Rental Payments, the term of this Lease Agreement shall be extended as provided in Section 2.02 hereof, except that the term of this Lease Agreement shall in no event be extended more than ten years beyond the Scheduled Termination Date.

(b) Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Trust Agreement, Rental Payments shall not be abated as provided above but, rather, shall be payable by the District as a special obligation payable solely from said funds and accounts.

## ARTICLE IV

### MAINTENANCE; ALTERATIONS AND ADDITIONS

**Section 4.01. Maintenance and Utilities.** Throughout the term of this Lease Agreement, as part of the consideration for rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the District, and the District shall pay for or otherwise arrange for the payment of all utility services supplied to the Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the District or any assignee or sublessee thereof. In exchange for the Rental Payments, the Corporation agrees to provide only the Property.

**Section 4.02. Additions to Property.** Subject to Section 8.05 hereof, the District and any sublessee shall, at its own expense, have the right to make additions, modifications and improvements to the Property. To the extent that the removal of such additions, modifications or improvements would not cause material damage to the Property, such additions, modifications and improvements shall remain the sole property of the District or such sublessee, and neither the Corporation nor the Trustee shall have any interest therein. Such additions, modifications and improvements shall not in any way damage the Property or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Property, upon completion of any additions, modifications and improvements made pursuant to this Section, shall be of a value which is at least equal to the value of the Property immediately prior to the making of such additions, modifications and improvements.

**Section 4.03. Installation of District's Equipment.** The District and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon the Property. All such items shall remain the sole property of the District or such sublessee, and neither the Corporation nor the Trustee shall have any interest therein. The District or such sublessee may remove or modify such equipment or other personal property at any time, provided that such party shall repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items. Nothing in this Lease Agreement shall prevent the District or any sublessee from purchasing items to be installed pursuant to this Section under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Property.

**ARTICLE V**  
**INSURANCE**

**Section 5.01. Property Casualty Insurance; Rental Interruption Insurance.** (a) The District shall maintain or cause to be maintained, throughout the term of this Lease Agreement, a standard comprehensive general liability insurance policy or policies in protection of the District, the Corporation and their respective members, directors, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of the Property. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of \$500,000 for damage to property (subject to a deductible clause of not to exceed \$100,000) resulting from a single accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the District. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid. The District's obligations under this subsection may be maintained in whole or in part in the form of self-insurance by the District, provided that such self-insurance complies with the provisions of Section 5.04 hereof.

(b) The District shall maintain or cause to be maintained, throughout the term of this Lease Agreement, workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the California Labor Code, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the District in connection with the Property and to cover full liability for compensation under any such act. The District's obligations under this subsection may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of Section 5.04 hereof.

(c) The District shall maintain or cause to be maintained, throughout the term of this Lease Agreement, casualty insurance insuring the Property against fire, lightning and all other risks covered by an extended coverage endorsement (excluding earthquake and flood) to the full insurable value of the Property, subject to a \$100,000 loss deductible provision, unless some other deductible is acceptable to the Insurer. Full insurable value shall not be less than the principal evidenced by the Outstanding Certificates. All Net Proceeds received under said policy or policies shall be deposited with the Trustee and applied as provided in Section 5.03 of the Trust Agreement. The District's obligations under this subsection may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of Section 5.04 hereof.

(d) The District shall maintain or cause to be maintained, throughout the term of this Lease Agreement, rental interruption insurance to cover the Corporation's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered pursuant to subsection (c) of this Section

in an amount equal to the lesser of (i) the amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period, or (ii) such lesser amount as may be agreed to by the Insurer. All Net Proceeds received under said policy or policies shall be deposited with the Trustee and applied as provided in Section 5.01 of the Trust Agreement. The District's obligations under this subsection may not be satisfied by self-insurance.

(e) The insurance required by this Section shall be provided by carriers rated at least "A" by A.M. Best Company or S&P, unless the Insurer shall approve in writing an insurer with a lower rating.

**Section 5.02. Title Insurance.** The District shall provide, at its own expense, one or more CLTA or ALTA title insurance policies for the Property, in the aggregate amount of not less than the initial aggregate amount of principal evidenced by the Certificates. Said policy or policies shall insure (a) the fee interest of the District in the Property, (b) the Corporation's ground leasehold estate in the Property under the Ground Lease, and (c) the District's leasehold estate hereunder in the Property, subject only to Permitted Encumbrances; provided, however, that one or more of said estates may be insured through an endorsement to such policy or policies. All Net Proceeds received under said policy or policies shall be deposited with the Trustee and applied as provided in Section 5.04 of the Trust Agreement. So long as any of the Certificates remain Outstanding, each policy of title insurance obtained pursuant hereto or required hereby shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Certificate Owners.

**Section 5.03. Additional Insurance Provision; Form of Policies.** (a) The District shall pay or cause to be paid when due the premiums for all insurance policies required by Section 5.01 hereof, and shall promptly furnish or cause to be furnished evidence of such payments to the Trustee. All such policies shall contain a standard lessee clause in favor of the Trustee and the general liability insurance policies shall be endorsed to show the Trustee as an additional insured. All such policies shall provide that the Trustee and the Insurer shall be given 30 days notice of the expiration thereof, any intended cancellation thereof or any reduction in the coverage provided thereby. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee; provided, however, that the Trustee shall not agree to any adjustment, compromise or settlement without the Insurer's written consent.

(b) The District shall cause to be delivered to the Trustee and the Insurer on or before August 15 of each year, commencing August 15, 2021, a schedule of the insurance policies being maintained in accordance herewith and a Written Certificate of the District stating that such policies are in full force and effect and that the District is in full compliance with the requirements of this Article. The District shall, upon request of the Insurer, deliver to the Insurer certificates or duplicate originals or certified copies of each insurance policy described in such schedule. The Trustee shall be entitled to rely upon said Written Certificate of the District as to the District's compliance with this Article. Neither the Trustee nor the Insurer shall be responsible for the sufficiency of coverage or amounts of such policies. All policies of insurance required by this Lease Agreement shall be in form satisfactory to the Insurer.

**Section 5.04. Self-Insurance.** Insurance provided through a California joint powers authority of which the District is a member or with which the District contracts for insurance shall be deemed to be self-insurance for purposes hereof. All statements of self-insurance provided in accordance with this Lease Agreement shall be in form satisfactory to the Insurer. Any self-insurance maintained by the District pursuant to this Article shall comply with the following terms:

- (a) the self-insurance program shall be approved in writing by the Insurer;
- (b) the self-insurance program shall be approved in writing by an Independent Insurance Consultant;
- (c) the self-insurance program shall include an actuarially sound claims reserve fund out of which each self-insured claim shall be paid, the adequacy of each such fund shall be evaluated on an annual basis by the Independent Insurance Consultant and any deficiencies in any self-insured claims reserve fund shall be remedied in accordance with the recommendation of such Independent Insurance Consultant;
- (d) the self-insured claims reserve fund shall be held in a separate trust fund;  
and
- (e) in the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by the Independent Insurance Consultant, shall be maintained.

## ARTICLE VI

### DEFAULTS AND REMEDIES

**Section 6.01. Defaults and Remedies.** (a) (i) If the District shall fail (A) to pay any Rental Payment payable hereunder when the same becomes due and payable, time being expressly declared to be of the essence in this Lease Agreement, or (B) to keep, observe or perform any other term, covenant or condition contained herein, or in the Trust Agreement to be kept or performed by the District, or (ii) upon the happening of any of the events specified in subsection (b) of this Section, the District shall be deemed to be in default hereunder and it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement. In determining whether a default has occurred under clause (i)(A) of the preceding sentence, no effect shall be given to payments made under the Insurance Policy. The District shall in no event be in default in the observance or performance of any covenant, condition or agreement in this Lease Agreement on its part to be observed or performed, other than as referred to in clause (i)(A), or (ii) of the preceding sentence, unless the District shall have failed, for a period of 30 days or such additional time as is reasonably required, but in no event greater than 60 days without the prior written consent of the Insurer, to correct any such default after notice by the Corporation or the Insurer to the District properly specifying wherein the District has failed to perform any such covenant, condition or agreement. Upon any such default, the Corporation, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(1) To terminate this Lease Agreement in the manner hereinafter provided on account of default by the District, notwithstanding any re-entry or re-letting of the Property as hereinafter provided for in subparagraph (2) hereof, and to re-enter the Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Property and place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the District. In the event of such termination, the District agrees to surrender immediately possession of the Property, without let or hindrance, and to pay the Corporation all damages recoverable at law that the Corporation may incur by reason of default by the District, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Property and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. Neither notice to pay Rental Payments or to deliver up possession of the Property given pursuant to law nor any entry or re-entry by the Corporation nor any proceeding in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property nor the appointment of a receiver upon initiative of the Corporation to protect the Corporation's interest under this Lease Agreement shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of default by the District shall be or become effective by operation of law or acts of the parties hereto, or otherwise, unless and until the Corporation shall have given written notice to the District of the election on the part of the Corporation to terminate this Lease Agreement. The District covenants and agrees that no surrender of the Property or of the remainder of the term hereof or any

termination of this Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated by the Corporation by such written notice.

(2) Without terminating this Lease Agreement (x) to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions hereof to be kept or performed by the District, regardless of whether or not the District has abandoned the Property, or (y) to exercise any and all rights of entry and re-entry upon the Property. In the event the Corporation does not elect to terminate this Lease Agreement in the manner provided for in subparagraph (1) hereof, the District shall remain liable and agrees to keep or perform all covenants and conditions herein contained to be kept or performed by the District and, if the Property is not re-let, to pay the full amount of the Rental Payments to the end of the term of this Lease Agreement or, in the event that the Property is re-let, to pay any deficiency in Rental Payments that results therefrom; and further agrees to pay said Rental Payments and/or Rental Payment deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of Rental Payments hereunder, notwithstanding the fact that the Corporation may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments herein specified, and notwithstanding any entry or re-entry by the Corporation or suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property. Should the Corporation elect to re-enter as herein provided, the District hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the District to re-let the Property, or any part thereof, from time to time, either in the Corporation's name or otherwise, upon such terms and conditions and for such use and period as the Corporation may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Property and to place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the District, and the District hereby indemnifies and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Property and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. The District agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-let the Property in the event of such re-entry without effecting a surrender of this Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-letting shall constitute a surrender or termination of this Lease Agreement irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate this Lease Agreement shall vest in the Corporation to be effected in the sole and exclusive manner provided for in subparagraph (1) hereof. The District further agrees to pay the Corporation the cost of any alterations or additions to the Property necessary to place the Property in condition for re-letting immediately upon notice to the District of the completion and installation of such additions or alterations.

The District hereby waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Property as herein provided and all claims for damages that may result from the destruction of or injury to the Property and all claims

for damages to or loss of any property belonging to the District, or any other person, that may be in or upon the Property.

(b) If (i) the District's interest in this Lease Agreement or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Corporation and the Insurer, as hereinafter provided for, (ii) the District or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the District asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the District's debts or obligations, or offers to the District's creditors to effect a composition or extension of time to pay the District's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the District's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the District, or if a receiver of the business or of the property or assets of the District shall be appointed by any court, except a receiver appointed at the instance or request of the Corporation, or if the District shall make a general assignment for the benefit of the District's creditors, or (iii) the District shall abandon or vacate the Property, then the District shall be deemed to be in default hereunder.

(c) In addition to the other remedies set forth in this Section, upon the occurrence of an event of default, the Corporation shall be entitled to proceed to protect and enforce the rights vested in the Corporation by this Lease Agreement or by law. The provisions of this Lease Agreement and the duties of the District and of its board, officers or employees shall be enforceable by the Corporation by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Corporation shall have the right to bring the following actions:

(i) *Accounting*. By action or suit in equity to require the District and its board, officers and employees and its assigns to account as the trustee of an express trust.

(ii) *Injunction*. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Corporation.

(iii) *Mandamus*. By mandamus or other suit, action or proceeding at law or in equity to enforce the Corporation's rights against the District (and its board, officers and employees) and to compel the District to perform and carry out its duties and obligations under the law and its covenants and agreements with the District as provided herein.

Each and all of the remedies given to the Corporation hereunder or by any law now or hereafter enacted are cumulative and the single or partial exercise of any right, power or privilege hereunder shall not impair the right of the Corporation to the further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in this Section shall include, but not be limited to, re-letting by means of the operation by the Corporation of the Property. If any statute or rule of law validly shall limit the remedies given to the Corporation hereunder, the Corporation nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

In the event the Corporation shall prevail in any action brought to enforce any of the terms and provisions of this Lease Agreement, the District shall pay a reasonable amount as and for attorney's fees incurred by the Corporation in attempting to enforce any of the remedies available to the Corporation hereunder.

Notwithstanding anything to the contrary contained in this Lease Agreement, the Corporation shall have no right upon a default hereunder by the District or otherwise to accelerate Rental Payments.

Notwithstanding anything to the contrary contained in this Lease Agreement, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, no remedy shall be exercised hereunder without the prior written consent of the Insurer and the Insurer shall have the right to direct the exercise of any remedy hereunder.

(d) Notwithstanding anything herein to the contrary, the termination of this Lease Agreement by the Corporation on account of a default by the District under this Section shall not effect or result in a termination of the lease of the Property by the District to the Corporation pursuant to the Ground Lease.

**Section 6.02. Waiver.** Failure of the Corporation to take advantage of any default on the part of the District shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of the Corporation to insist upon performance by the District of any term, covenant or condition hereof, or to exercise any rights given the Corporation on account of such default. A waiver of a particular default shall not be deemed to be a waiver of any other default or of the same default subsequently occurring. The acceptance of Rental Payments hereunder shall not be, or be construed to be, a waiver of any term, covenant or condition of this Lease Agreement.

**Section 6.03. Corporation Event of Default; Action on Corporation Event of Default.** The failure by the Corporation to observe and perform the covenants, agreements or conditions on its part contained in this Lease Agreement in Section 8.04, if such failure shall have continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Corporation, the Trustee and the Insurer, by the District, shall constitute a Corporation Event of Default under this Lease Agreement; provided, however, that if the Corporation shall fail to correct such failure within such 60 day period, the Insurer shall have 90 additional days to correct such failure on behalf of the Corporation prior to such failure constituting a Corporation Event of Default; and, provided further that if, in the reasonable opinion of the Corporation or the Insurer, as applicable, the failure stated in the notice can be corrected, but not within such 60 or 90 day period, such failure shall not constitute a Corporation Event of Default if corrective action is instituted by the Corporation or the Insurer within such 60 or 90 day period and the Corporation or the Insurer, as applicable, shall thereafter diligently and in good faith cure such failure in a reasonable period of time. In each and every case upon the occurrence and during the continuance of a Corporation Event of Default by the Corporation hereunder, the District shall have all the rights and remedies permitted by law; provided that a Corporation Event of Default shall not permit the nonpayment of Rental Payments or the termination of this Lease

Agreement by the District. Notwithstanding anything to the contrary contained herein, the provisions of this Section shall not impair, restrict or limit the application of Section 3.06.

## ARTICLE VII

### EMINENT DOMAIN; PREPAYMENT

**Section 7.01. Eminent Domain.** If all of the Property (or portions thereof such that the remainder is not usable for public purposes by the District) shall be taken under the power of eminent domain, the term hereof shall cease as of the day that possession shall be so taken. If less than all of the Property shall be taken under the power of eminent domain and the remainder is usable for public purposes by the District at the time of such taking, then this Lease Agreement shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the Rental Payments in accordance with the provisions of Section 3.06 hereof. So long as any Certificate is Outstanding, any award made in eminent domain proceedings for the taking of the Property, or any portion thereof, shall be paid to the Trustee and applied to the prepayment of Certificates as provided in Sections 4.01 and 5.03 of the Trust Agreement. Any such award made after all of the Certificates, and all other amounts due under the Trust Agreement and hereunder, have been fully paid, shall be paid to the Corporation and to the District as their respective interests may appear.

**Section 7.02. Prepayment.** (a) The District may prepay all or a portion of the Base Rental Payments which are payable on or after June 1, 20[\_\_\_], from any source of available funds, on any date on or after June 1, 20[\_\_\_], by paying (A) all or a portion, as elected by the District, of the principal components of the Base Rental Payments, and (B) the accrued but unpaid interest component of such Base Rental Payments to be prepaid to the date of such prepayment.

(b) The District may prepay, from any source of available funds, all or any portion of the Base Rental Payments by depositing with the Trustee moneys or securities as provided, and subject to the terms and conditions set forth, in Article X of the Trust Agreement sufficient to make such Base Rental Payments when due or to make such Base Rental Payments through a specified date on which the District has a right to prepay such Base Rental Payments pursuant to subsection (a) of this Section, and to prepay such Base Rental Payments on such prepayment date, at a prepayment price determined in accordance with subsection (a) of this Section.

(c) If less than all of the Base Rental Payments are prepaid pursuant to this Section then, as of the date of such prepayment pursuant to subsection (a) of this Section, or the date of a deposit pursuant to subsection (b) of this Section, the principal and interest components of the Base Rental Payments shall be recalculated in order to take such prepayment into account. If, following a partial prepayment of Base Rental Payments, the Property is damaged, destroyed or taken by eminent domain, or a defect in title to the Property is discovered, the District shall not be entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and the District shall not be entitled to any reimbursement of such Base Rental Payments.

(d) If all of the Base Rental Payments are prepaid pursuant to this Section and if all amounts due to the Insurer have been paid in full then, as of the date of such prepayment pursuant to subsection (a) of this Section, or deposit pursuant to subsection (b) of this Section, the term of this Lease Agreement shall be terminated.

(e) Prepayments of Base Rental Payments made pursuant to this Section shall be applied to the prepayment of Certificates as provided in Section 4.01 of the Trust Agreement.

(f) Before making any prepayment pursuant to this Article, the District shall give written notice to the Corporation and the Insurer specifying the date on which the prepayment will be made, which date shall be not less than 40 nor more than 60 days from the date such notice is given, unless the Corporation agrees to a different notice period.

## ARTICLE VIII

### REPRESENTATIONS AND WARRANTIES; COVENANTS

**Section 8.01. Representations of the District.** The District represents and warrants that, as of the Delivery Date:

(a) the District has the full power and authority to enter into, to execute and to deliver this Lease Agreement and the Trust Agreement, and to perform all of its duties and obligations hereunder and thereunder, and has duly authorized the execution and delivery of this Lease Agreement and the Trust Agreement;

(b) the Property is not located in a 100-year flood plain;

(c) the District has, after due inquiry, no knowledge and has not given or received any written notice indicating that the Property or the past or present use thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any Laws and Regulations;

(d) without limiting the generality of the foregoing, neither the District nor to the best of its knowledge, after due inquiry, any prior or present owner, tenant or subtenant of the Property has, other than as set forth in this subsection or as may have been remediated in accordance with Laws and Regulations (i) used, treated, stored, transported or disposed of any material amount of Hazardous Materials on, from or beneath the Property, (ii) Released any material amount of Hazardous Materials on, from or beneath the Property, or (iii) stored any material amount of petroleum products at the Property in underground storage tanks; provided, however, that excluded from the representations and warranties in this subsection with respect to Hazardous Materials are those Hazardous Materials in those amounts ordinarily found in the inventory of, or used in the maintenance of school buildings, the use, treatment, storage, transportation and disposal of which has been and shall be in compliance with all Laws and Regulations;

(e) no portion of the Property located in an area of high potential incidence of radon has an unventilated basement or subsurface portion which is occupied or used for any purpose other than the foundation or support of the improvements to the Property, respectively; and

(f) the District has not received any notice from any insurance company that has issued a policy with respect to the Property or from the applicable state or local government agency responsible for insurance standards (or any other body exercising similar functions) requiring the performance of any repairs, alterations or other work, which repairs, alterations or other work have not been completed at the Property, respectively. The District has not received any notice of default or breach which has not been cured under any covenant, condition, restriction, right-of-way, reciprocal easement, agreement or other easement affecting the Property which is to be performed or complied with by it.

**Section 8.02. Representations of the Corporation.** The Corporation represents and warrants that the Corporation, as of the Delivery Date, has the full power and authority to enter into, to execute and to deliver this Lease Agreement, the Assignment Agreement and the Trust Agreement, and to perform all of its duties and obligations hereunder and thereunder, and has duly authorized the execution and delivery of this Lease Agreement, the Assignment Agreement and the Trust Agreement.

**Section 8.03. Right of Entry.** The Corporation shall have the right to enter upon and to examine and inspect the Property during reasonable business hours, and in emergencies at all times, for any reasonable purpose connected with the Corporation's rights or obligations under this Lease Agreement, and for all other lawful purposes. The Insurer shall have the right to enter upon and to examine and inspect the Property during reasonable business hours, and in emergencies at all times, for any reasonable purpose connected with the Insurer's rights or obligations under this Lease Agreement.

**Section 8.04. Quiet Enjoyment.** The District, by keeping and performing the covenants and agreements herein contained, shall at all times during the term of this Lease Agreement peaceably and quietly have, hold and enjoy the Property without suit, trouble or hindrance from the Corporation.

**Section 8.05. Liens.** In the event the District shall at any time during the term of this Lease Agreement cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Property, the District shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the District in, upon or about the Property and that may be secured by a mechanics', materialmen's or other lien against the Property or the Corporation's interest therein, and shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, provided, however that, if the District desires to contest any such lien, it may do so as long as such contest is in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the District shall forthwith pay and discharge said judgment.

**Section 8.06. Taxes.** (a) The District shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Corporation or affecting the Property or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the term of this Lease Agreement as and when the same become due.

(b) After giving notice to the Corporation, the Insurer and the Trustee, the District or any sublessee may, at the District's or such sublessee's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation, the Insurer or the Trustee shall notify the District or such sublessee that, in the opinion of independent counsel, by nonpayment

of any such items, the interest of the Corporation in the Property will be materially endangered or the Property, or any part thereof, will be subject to loss or forfeiture, in which event the District or such sublessee shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation, the Insurer and the Trustee.

**Section 8.07. Assignment and Subleasing.** Neither this Lease Agreement nor any interest of the District hereunder shall be sold, mortgaged, pledged, assigned or transferred by the District by voluntary act or by operation of law or otherwise; provided, however, that the Property may be subleased in whole or in part by the District with the prior written consent of the Corporation and the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) and, provided, further, that, any such sublease shall be subject to all of the following conditions:

(a) this Lease Agreement and the obligation of the District to make all Rental Payments hereunder shall remain the primary obligation of the District;

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

(c) no such sublease by the District shall cause the Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State of California;

(d) any sublease of the Property by the District shall explicitly provide that such sublease is subject to all rights of the Corporation under this Lease Agreement, including, the right to re-enter and re-let the Property or terminate this Lease Agreement upon a default by the District; and

(e) the District shall furnish the Trustee with an Opinion of Counsel to the effect that such sublease will not, in and of itself, cause the interest evidenced by the Certificates to be included in gross income for federal income tax purposes.

**Section 8.08. Environmental Compliance.** (a) Neither the District nor the Corporation shall use or permit the Property or any part thereof to be used to generate, manufacture, refine, treat, store, handle, transport or dispose of, transfer, produce or process Hazardous Materials, except, and only to the extent, if necessary to maintain the improvements on the Property and then only in compliance with all Environmental Regulations, nor shall it permit, as a result of any intentional or unintentional act or omission on its part or by any tenant, subtenant, licensee, guest, invitee, contractor, employee or agent, the storage, transportation, disposal or use of Hazardous Materials or the Release or threat of Release of Hazardous Materials on, from or beneath the Property or onto any other property, excluding, however, those Hazardous Materials in those amounts ordinarily found in the inventory of school districts, the use, storage, treatment, transportation and disposal of which shall be in compliance with all Environmental Regulations. Upon the occurrence of any Release or threat of Release of Hazardous Materials, the Corporation or the District shall promptly commence and perform, or cause to be commenced and performed

promptly, without cost to the Trustee, all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials so released on, from or beneath the Property or other property, in compliance with all Environmental Regulations. Notwithstanding anything to the contrary contained herein, underground storage tanks shall only be permitted subject to compliance with subsection (d) of this Section and only to the extent necessary to maintain the improvements on the Property.

(b) The District and the Corporation shall comply with, and shall cause all tenants, subtenants, licensees, guests, invitees, contractors, employees and agents on the Property to comply with, all Environmental Regulations, and shall keep the Property free and clear of any liens imposed pursuant thereto, provided, however, that any such liens, if not discharged, may be bonded. The District and the Corporation shall cause each tenant under any lease, and use their best efforts to cause all of such tenant's subtenants, agents, licensees, employees, contractors, guests and invitees and the guests and invitees of all of the foregoing to comply with all Environmental Regulations with respect to the Property; provided, however, that the Corporation and the District shall remain solely responsible for ensuring such compliance and such limitation shall not diminish or affect in any way the Corporation's or the District's obligations contained in subsection (c) of this Section. Upon receipt of any notice from any Person with regard to the Release of Hazardous Materials on, from or beneath the Property, the District or the Corporation, as appropriate, shall give prompt written notice thereof to the District or the Corporation, as appropriate, the Trustee, and the Insurer prior to the expiration of any period in which to respond to such notice under any Environmental Regulation.

(c) Irrespective of whether any representation or warranty contained in Section 8.01 hereof is not true or correct, the Corporation and the District shall, to the extent permitted by law, defend, indemnify and hold harmless the Corporation, the Insurer and the Trustee and any director, member, officer, employee, successor or assignee thereof, from and against any claims, demands, penalties, fines, attorneys' fees (including attorneys' fees incurred to enforce the indemnification contained in this Section), consultants' fees, investigation and laboratory fees, liabilities, settlements (five Insurance Business Days' prior notice of which the Corporation, the Insurer or the Trustee, as appropriate, shall have delivered to the District), court costs, damages, losses, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, occurring in whole or in part, arising out of, or in any way related to (i) the presence, disposal, Release, threat of Release, removal, discharge, storage or transportation of any Hazardous Materials on, from or beneath the Property, (ii) any personal injury, including wrongful death, or property damage, real or personal, arising out of or related to such Hazardous Materials, (iii) any lawsuit brought or threatened, settlement reached (five Insurance Business Days' prior notice of which the Corporation, the Insurer or the Trustee, as appropriate, shall have delivered to the District), or governmental order relating to Hazardous Materials on, from or beneath the Property, (iv) any violation of Environmental Regulations or subsection (a) or (b) of this Section by either the District or the Corporation or any of their agents, tenants, employees, contractors, licensees, guests, subtenants or invitees, and (v) the imposition of any governmental lien for the recovery of environmental cleanup or removal costs. To the extent that either the Corporation or the District is strictly liable under any Environmental Regulation, the District's obligation to the Corporation, the Insurer and the Trustee and the other indemnitees under the foregoing indemnification shall likewise be without regard to fault on its part with respect to the violation of any Environmental

Regulation which results in liability to any indemnitee. The obligations and liabilities under this subsection shall survive the payment of all Certificates and the discharge of the Trust Agreement.

(d) The District shall conform to and carry out a reasonable program of maintenance and inspection of all underground storage tanks, and shall maintain, repair and replace such tanks only in accordance with Laws and Regulations, including but not limited to Environmental Regulations.

**Section 8.09. Condemnation.** So long as the Certificates are Outstanding, the District to the extent it may lawfully so bind itself shall not exercise the power of condemnation with respect to the Property. To the extent permitted by law, if for any reason the foregoing covenant is determined to be unenforceable or if the District shall fail or refuse to abide by such covenant and condemns the Property, the value of the District's leasehold estate hereunder in the Property shall be not less than the amount sufficient to pay the Base Rental Payments to the first date on which they may be prepaid pursuant to Section 7.02 and to prepay the Base Rental Payments on such date.

**Section 8.10. Other Obligations.** Except for the Certificates and Permitted Encumbrances, the District shall not, during the term of this Lease Agreement, issue or incur or cause to be executed and delivered, directly or indirectly, any additional certificates of participation, notes, bonds or other indebtedness that are either (a) payable from or secured by lease payments or rentals payable under this Lease Agreement, or (b) secured by, or granted a lien on, the Property.

**Section 8.11. Corporation Not Liable; Indemnification.** None of the Corporation, the Insurer and the Trustee and all directors, members, officers and employees thereof shall be liable to the District or to any other Person for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Property. To the extent permitted by law, the District shall, at its expense, indemnify and hold the Corporation, the Insurer and the Trustee and all directors, members, officers and employees thereof harmless against and from any and all claims by or on behalf of any Person arising from the acquisition, construction, occupation, use, operation, maintenance, possession, conduct or management of or from any work done in or about the Property or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the Property or the occupancy or use thereof, but excepting the negligence or willful misconduct of the Person seeking indemnity. The District at its expense shall pay and indemnify and save the Corporation, the Insurer and the Trustee and all directors, members, officers and employees thereof harmless against and from any and all claims arising from (a) any condition of the Property and the adjoining sidewalks and passageways, (b) any breach or default on the part of the District in the performance of any covenant or agreement to be performed by the District pursuant to this Lease Agreement, (c) any act or negligence of licensees in connection with their use, occupancy or operation of the Property, or (d) any accident, injury or damage whatsoever caused to any person, firm or corporation in or about the Property or upon or under the sidewalks and from and against all costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any claim referred to in this Section, but excepting the negligence or willful misconduct of the Person seeking indemnity. In the event that any action or proceeding is brought against the Corporation, the Insurer or the Trustee or any director, member, officer or employee thereof, by

reason of any such claim, the District, upon notice from the Corporation, the Insurer or the Trustee or such director, member, officer or employee thereof, shall resist or defend such action or proceeding by counsel reasonably satisfactory to the Corporation, the Insurer or the Trustee or such director, member, officer or employee thereof.

Notwithstanding the fact that it is the intention of the parties that the Corporation, the Insurer and the Trustee and all directors, members, officers and employees thereof shall not incur any pecuniary liability by reason of the terms of this Lease Agreement, or the undertakings required of the Corporation hereunder or any director, member, officer or employee thereof, by reason of the execution and delivery of the Certificates, by reason of the execution or authorization of any document or certification in connection with the Certificates including, the Trust Agreement, this Lease Agreement or any preliminary or final official statement, by reason of the performance or nonperformance of any act required of any of them by this Lease Agreement or the Trust Agreement or by reason of the performance or nonperformance of any act requested of any of them by the District, the Corporation, the Insurer or the Trustee, including all claims, liabilities, damages, losses or expenses arising in connection with the violation of any statute or regulation pertaining to the foregoing; nevertheless, if the Corporation, the Insurer or the Trustee or any director, member, officer or employee thereof should incur any such pecuniary liability, then in such event the District shall indemnify and hold harmless the Corporation, the Insurer and the Trustee, and all directors, members, officers and employees thereof, against all claims by or on behalf of any Person arising out of the same, or in connection with any action or proceeding brought thereon, but excepting the negligence or willful misconduct of the Person seeking indemnity, and upon notice from the Corporation, the Insurer or the Trustee, the District shall defend the Corporation, the Insurer and the Trustee in any such action or proceeding. This Section shall survive the termination of this Lease Agreement for any claim, proceeding or action arising from any event or omission occurring during the term of this Lease Agreement.

**Section 8.12. Title to Property upon Termination.** Upon the termination or expiration of the term of this Lease Agreement other than as provided in Sections 6.01 and 7.01 hereof, and the first date upon which the Certificates are no longer Outstanding, all right, title and interest in and to the Property shall vest in the District. Upon any such termination or expiration, the Corporation shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

## ARTICLE IX

### NO CONSEQUENTIAL DAMAGES; USE OF THE PROPERTY; SUBSTITUTION OR RELEASE

**Section 9.01. No Consequential Damages.** In no event shall the Corporation be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Lease Agreement or the District's use of the Property.

**Section 9.02. Use of the Property.** The District shall not use, operate or maintain the Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Lease Agreement. In addition, the District shall comply in all respects, including, with respect to the use, maintenance and operation of the Property, with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Property; provided, however, that the District may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Corporation, adversely affect the estate of the Corporation in and to any of the Property or its interest or rights under this Lease Agreement.

**Section 9.03. Substitution or Release of the Property.** The District shall have the right, but only with the written consent of the Insurer, to substitute alternate real property for any portion of the Property or to release a portion of the Property from this Lease Agreement pursuant to this Section. All costs and expenses incurred in connection with such substitution or release shall be borne by the District. Notwithstanding any substitution or release pursuant to this Section, there shall be no reduction in or abatement of the Base Rental Payments due from the District hereunder as a result of such substitution or release. Any such substitution or release of any portion of the Property shall be subject to the following specific conditions, which are hereby made conditions precedent to such substitution or release:

(a) an independent certified real estate appraiser selected by the District shall have found, and shall have delivered a certificate to the District, the Insurer and the Trustee setting forth its findings, that the Property, as constituted after such substitution or release (i) has an annual fair rental value greater than or equal to 105% of the maximum amount of Base Rental Payments payable by the District in any Rental Period, and (ii) has a useful life equal to or greater than the useful life of the Property, as constituted prior to such substitution or release;

(b) the District shall have obtained or caused to be obtained a CLTA or an ALTA title insurance policy or policies with respect to any substituted property in the amount of the fair market value of such substituted property of the type and with the endorsements described in Section 5.02 hereof; provided, however, that such fair market value shall have been determined by an independent certified real estate appraiser selected by the District, which appraiser shall have delivered a certificate to the District and the Trustee setting forth its findings;

(c) the District shall have provided the Trustee with an Opinion of Counsel to the effect that such substitution or release will not, in and of itself, cause the interest

evidenced by the Certificates to be included in gross income for federal income tax purposes;

(d) the District shall have given, or shall have made arrangements to be given, any notice of the occurrence of such substitution or release required to be given pursuant the Continuing Disclosure Certificate;

(e) the District, the Corporation and the Trustee shall have executed, and the District shall have caused to be recorded with the Yuba County Recorder, any document necessary to reconvey to the District the portion of the Property being substituted or released and to include any substituted real property in the description of the Property contained herein and in the Ground Lease; and

(f) the District shall have certified to the Corporation that the substituted real property is of approximately the same degree of essentiality to the District as the portion of the Property for which it is being substituted.



**Section 10.02. Net-Net-Net Lease.** This Lease Agreement shall be deemed and construed to be a “net-net-net lease” and the Rental Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges or set-off whatsoever and notwithstanding any dispute between the District and the Corporation.

**Section 10.03. Amendments.** (a) This Lease Agreement and the Ground Lease, and the rights and obligations of the Corporation and the District hereunder and thereunder, may be amended at any time by an amendment hereto or thereto which shall become binding upon execution by the District and the Corporation, but only with the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) and the Owners of a majority of the aggregate amount of principal evidenced by the Certificates then Outstanding, provided that no such amendment shall (i) extend the payment date of any Base Rental Payment, reduce the interest component or principal component of any Base Rental Payment or change the prepayment terms and provisions, without the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) and the Owner of each Certificate so affected, or (ii) reduce the percentage of the aggregate amount of principal evidenced by the Certificates, the consent of the Owners of which is required for the execution of any amendment of this Lease Agreement or the Ground Lease without the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) and the Owners of all the Certificates then Outstanding.

(b) This Lease Agreement and the Ground Lease, and the rights and obligations of the District and the Corporation hereunder and thereunder, may also be amended at any time by an amendment hereto or thereto which shall become binding upon execution by the District and the Corporation, but without the written consents of any Owners, but only with the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) and only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Corporation or the District to be observed or performed herein or therein other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the District, or to surrender any right or power reserved herein or therein to or conferred herein or therein on the Corporation or the District, and which in either case shall not materially adversely affect the interests of the Insurer or the Owners;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or therein or in regard to questions arising hereunder or thereunder which the Corporation or the District may deem desirable or necessary and not inconsistent herewith or therewith, and which shall not materially adversely affect the interests of the Insurer or the Owners;

(iii) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest components of Base Rental Payments;

(iv) to provide for the substitution or release of a portion of the Property in accordance with the provisions of Section 9.03 hereof; or

(v) to make such other changes herein or therein or modifications hereto or thereto as the Corporation or the District may deem desirable or necessary, and which shall not materially adversely affect the interests of the Insurer or the Owners.

**Section 10.04. Assignment to Trustee; Effect.** The District understands and agrees that, upon the execution and delivery of the Assignment Agreement, which is occurring simultaneously with the execution and delivery hereof, all right, title and interest of the Corporation in and to this Lease Agreement will be sold, assigned and transferred to the Trustee for the benefit of the Owners of the Certificates. The District hereby consents to such sale, assignment and transfer. Upon the execution and delivery of the Assignment Agreement, references in the operative provisions hereof to the Corporation shall be deemed to be references to the Trustee, as assignee of the Corporation.

**Section 10.05. Rights of Insurer.** As long as the Insurance Policy is in effect and the Insurer is not in default in respect of its payment obligations thereunder, the Insurer shall be deemed to be the sole and exclusive Owner of the Outstanding Certificates for purposes of all approvals, consents, waivers, institution of any action, and the direction of all remedies, including but not limited to approval of or consent to any amendment of or supplement to this Lease Agreement and the Ground Lease which requires the consent or approval of the Owners of a majority of the aggregate principal evidenced by the Certificates then Outstanding; provided, however, that the Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding Certificates with respect to any amendment or supplement to this Lease Agreement or the Ground Lease which seeks to amend or supplement this Lease Agreement or the Ground Lease for purposes set forth in clause (i) or (ii) of subsection (a) of Section 10.03 hereof, and, provided, further, that the Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding Certificates for such purposes, and shall not have the right to direct or consent to District, Corporation, Trustee or Owner action, during any period if:

(a) the Insurer shall fail to make any payment under the Insurance Policy when due and such failure shall continue for three Business Days;

(b) any material provision of the Insurance Policy shall be held to be invalid by a final, non-appealable order of a court of competent jurisdiction, or the validity or enforceability thereof shall be contested in writing by the Insurer; or

(c) a proceeding shall have been instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect of the Insurer under Article 16 of the Insurance Law of the State of New York or any successor provision thereto and such proceeding is not terminated for a period of 90 consecutive days or such court enters an order granting the relief sought in such proceeding.

**Section 10.06. Third-Party Beneficiary.** The Insurer is a third-party beneficiary of this Lease Agreement.

**Section 10.07. Validity and Severability.** If for any reason this Lease Agreement shall be held by a court of competent jurisdiction to be void, voidable or unenforceable by the Corporation or by the District, or if for any reason it is held by such a court that any of the covenants and conditions of the District hereunder, including the covenant to pay Rental Payments, is unenforceable for the full term hereof, then and in such event this Lease Agreement is and shall be deemed to be a Lease Agreement under which the Rental Payments are to be paid by the District annually in consideration of the right of the District to possess, occupy and use the Property, and all of the terms, provisions and conditions of this Lease Agreement, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

**Section 10.08. Governing Law.** This Lease Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

**Section 10.09. Execution in Counterparts.** This Lease Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, the parties hereto have caused this Lease Agreement to be executed by their respective officers thereunto duly authorized, all as of the day and year first written above.

**MARYSVILLE JOINT UNIFIED  
SCHOOL DISTRICT**

By: \_\_\_\_\_

**MARYSVILLE JOINT UNIFIED  
SCHOOL DISTRICT FINANCING  
CORPORATION**

By: \_\_\_\_\_

## EXHIBIT A

### MASTER DEFINITIONS

**“Acquisition Costs”** means all costs of acquiring, constructing and installing the Project, including but not limited to:

(a) all costs which the Corporation or the District shall be required to pay to a seller or any other Person under the terms of any contract or contracts for the purchase of any portion of the Project;

(b) all costs which the Corporation or the District shall be required to pay a contractor or any other Person for the acquisition, construction and installation of any portion of the Project;

(c) obligations of the Corporation or the District incurred for services (including obligations payable to the Corporation or the District for actual out-of-pocket expenses of the Corporation or the District) in connection with the acquisition, construction and installation of any portion of the Project, including reimbursement to the Corporation or the District for all advances and payments made in connection with the Project prior to or after delivery of the Certificates;

(d) the actual out-of-pocket costs of the Corporation or the District for test borings, surveys, estimates and preliminary investigations therefor, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of any portion of the Project, including administrative expenses under the Lease Agreement and under the Trust Agreement relating to the acquisition, construction and installation of the Project;

(e) Costs of Issuance, to the extent amounts for the payment thereof are not available in the Costs of Issuance Fund; and

(f) any sums required to reimburse the Corporation or the District for advances made by the Corporation or the District for any of the above items or for any other costs incurred and for work done by the Corporation or the District which are properly chargeable to the Project.

**“Acquisition Fund”** means the fund by that name established and held by the Trustee pursuant to Section 3.04 of the Trust Agreement.

**“Additional Rental Payments”** means all amounts payable by the District as Additional Rental Payments pursuant to Section 3.02 of the Lease Agreement.

**“Asbestos Containing Materials”** means material in friable form containing more than 1% of the asbestiform varieties of (a) chrysotile (serpentine), (b) crocidolite (ricbeckite), (c) amosite (cummington-itegrinerite), (d) anthophyllite, (e) tremolite and (f) actinolite.

**“Assignment Agreement”** means the Assignment Agreement, dated as of [\_\_\_\_\_] 1, 2021, by and between the Corporation and the Trustee, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof.

**“Authorized Corporation Representative”** means the President of the Corporation, the Vice President of the Corporation, the Chief Financial Officer of the Corporation, the Secretary of the Corporation, and any other person authorized by the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect to the Trust Agreement.

**“Authorized Denominations”** means \$5,000 or any integral multiple thereof.

**“Authorized District Representative”** means the President of the Board of Trustees, the Clerk or Secretary of the Board of Trustees, and such other member of the Board of Trustees as the President may designate, the Superintendent of the District, the Assistant Superintendent of Business Services of the District, and any person authorized by the Board of Trustees of the District to act on behalf of the District under or with respect to the Trust Agreement.

**“Base Rental Deposit Date”** means the 15th day next preceding each Interest Payment Date.

**“Base Rental Payment Fund”** means the fund by that name established and held by the Trustee pursuant to Section 5.01 of the Trust Agreement.

**“Base Rental Payment Schedule”** means the schedule of Base Rental Payments payable to the Corporation from the District pursuant to Section 3.01 of the Lease Agreement and attached as Exhibit C to the Lease Agreement.

**“Base Rental Payments”** means all amounts payable to the Corporation from the District as Base Rental Payments pursuant to Section 3.01 of the Lease Agreement.

**“Beneficial Owners”** means those Persons for whom the Participants have caused the Depository to hold Book-Entry Certificates.

**“Book-Entry Certificates”** means the Certificates registered in the name of the nominee of DTC, or any successor securities depository for the Certificates, as the registered owner thereof pursuant to the terms and provisions of Section 2.08 of the Trust Agreement.

**“Business Day”** means a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city or cities in which the Principal Office of the Trustee is located are authorized or required by law to be closed, or (c) a day on which the New York Stock Exchange is closed.

**“Capitalized Interest Account”** means the account by that name established and held by the Trustee pursuant to Section 5.02 of the Trust Agreement.

**“Cede & Co.”** means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Certificates.

**“Certificate Purchase Agreement”** means the Certificate Purchase Agreement, dated [\_\_\_\_\_], 2021, by and between the Purchaser and the District relating to the Certificates.

**“Certificate Year”** means each twelve-month period beginning on June 1 in each year and extending to the next succeeding May 31, both dates inclusive, except that the first Certificate Year shall begin on the Delivery Date and end on May 31, 20[21].

**“Certificates”** means the Marysville Joint Unified School District Certificates of Participation (2021 Energy Efficiency Projects), executed and delivered by the Trustee pursuant to the Trust Agreement.

**“Code”** means the Internal Revenue Code of 1986.

**“Continuing Disclosure Certificate”** means the Continuing Disclosure Certificate, dated the Delivery Date, executed by the District, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof.

**“Corporation”** means the Marysville Joint Unified School District Financing Corporation, a nonprofit public benefit corporation organized and existing under the laws of the State of California, and its successors.

**“Corporation Event of Default”** means an event described as such in Section 6.03 of the Lease Agreement.

**“Costs of Issuance”** means all the costs of executing and delivering the Certificates, including, all printing and document preparation expenses in connection with the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Certificates and the preliminary official statement and final official statement pertaining to the Certificates; rating agency fees, title insurance fees, market study fees, legal fees and expenses of counsel with respect to the execution and delivery of the Certificates, any computer and other expenses incurred in connection with the Certificates, the fees and expenses of the Trustee, including fees and expenses of its counsel, the fees and expenses of any municipal advisor to the District, any premium for municipal bond insurance or a reserve surety, and other fees and expenses incurred in connection with the execution of the Certificates, to the extent such fees and expenses are approved by the District.

**“Costs of Issuance Fund”** means the fund by that name established and held by the Trustee pursuant to Section 3.03 of the Trust Agreement.

**“Defeasance Securities”** means (a) non-callable direct obligations of the United States of America (“United States Treasury Obligations”), (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated, (c) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively,

or (d) subject to the prior written consent of the Insurer, securities eligible for “AAA” defeasance under then existing criteria of S&P, or any combination thereof.

**“Delivery Date”** means \_\_\_\_\_, 2021.

**“Depository”** means the securities depository acting as Depository pursuant to Section 2.08 of the Trust Agreement.

**“District”** means the Marysville Joint Unified School District, a school district organized and existing under the laws of the State of California, and its successors.

**“DTC”** means The Depository Trust Company, New York, New York, and its successors.

**“Environmental Regulations”** means all Laws and Regulations, now or hereafter in effect, with respect to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, *et seq.*) (together with the regulations promulgated thereunder, “CERCLA”), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, *et seq.*) (together with the regulations promulgated thereunder, “RCRA”), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, *et seq.*) (together with the regulations promulgated thereunder, “Title III”), the Clean Water Act, as amended (33 U.S.C. Section 1321, *et seq.*) (together with the regulations promulgated thereunder, “CWA”), the Clean Air Act, as amended (42 U.S.C. Section 7401, *et seq.*) (together with the regulations promulgated thereunder, “CAA”) and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 *et seq.*) (together with the regulations promulgated thereunder, “TSCA”), and any state or local similar laws and regulations and any so-called local, state or federal “superfund” or “superlien” law.

**“Fair Rental Value”** means, with respect to the Property, the annual fair rental value thereof, as set forth in Section 3.03 of the Lease Agreement.

**“Ground Lease”** means the Ground Lease, dated as of [\_\_\_\_\_] 1, 2021, by and between the District and the Corporation, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof and of the Lease Agreement.

**“Hazardous Materials”** means flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos or any Asbestos Containing Materials, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA and Title III, and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the Corporation, the District, the Property or the business operations conducted by the Corporation or the District thereon.

**“Independent Insurance Consultant”** means a nationally recognized independent actuary, insurance company or broker acceptable to the Insurer that has actuarial personnel experienced in the area of insurance for which the District is to be self-insured, as may from time to time be designated by the District.

**“Insolvency Proceeding”** has the meaning ascribed to such term in Section 11.01(m) of the Trust Agreement.

**“Insurance Business Day”** means any day other than (a) a Saturday or Sunday, (b) any day on which the Principal Office of the Trustee or the Principal Office of the Insurer are closed, and (c) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York.

**“Insurance Policy”** means the Municipal Bond Insurance Policy, and any endorsement thereto, issued by the Insurer guaranteeing the scheduled payment of the interest and principal evidenced by the Certificates when due, or any insurance policy substituted for said Municipal Bond Insurance Policy.

**“Insurer”** means [\_\_\_\_\_], [a New York mutual insurance corporation], or any successor thereto or assignee thereof.

**“Insurer Rate”** means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in the City of New York, New York, as its prime or base lending rate (the “Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus [\_\_\_\_\_]%, and (ii) the then applicable highest rate of interest evidenced by the Certificates, and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. Interest at the Insurer Rate shall be computed on the basis of the actual days elapsed over a year of 360 days. In the event JPMorgan Chase Bank, N.A. ceases to announce its Prime Rate, the Prime Rate shall be the prime rate or base lending rate of such other bank, banking association or trust company as the Insurer, in its sole and absolute discretion, shall designate.

**“Insurer’s Fiscal Agent”** means a fiscal agent appointed by the Insurer for purposes of, and in accordance with the terms contained in, the Insurance Policy.

**“Interest Fund”** means the fund by that name established and held by the Trustee pursuant to Section 5.02 of the Trust Agreement.

**“Interest Payment Date”** means June 1 and December 1 of each year commencing June 1, 2021.

**“Laws and Regulations”** means any applicable law, regulation, code, order, rule, judgment or consent agreement, including those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property.

**“Lease Agreement”** means the Lease Agreement, dated as of [\_\_\_\_\_] 1, 2021, by and between the District and the Corporation, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof.

**“Letter of Representations”** means the letter of the District delivered to and accepted by the Depository on or prior to the delivery of the Certificates as Book-Entry Certificates setting

forth the basis on which the Depository serves as depository for such Book-Entry Certificates, as originally executed or as it may be amended or supplemented or replaced by a letter to a substitute Depository.

**“Mandatory Sinking Account Payment”** means the principal evidenced by the Certificates required to be paid on each Mandatory Sinking Account Payment Date pursuant to Section 4.01 of the Trust Agreement.

**“Mandatory Sinking Account Payment Date”** means, for the Certificates with a stated Principal Payment Date of (a) June 1, 20\_\_, June 1, 20\_\_, and each June 1 thereafter continuing through and including June 1, 20\_\_, and (b) June 1, 20\_\_, June 1, 20\_\_, and each June 1 thereafter continuing through and including June 1, 20\_\_.

**“Moody’s”** means Moody’s Investors Service, Inc., its successors and assigns, and, if Moody’s Investors Service, Inc., shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the District.

**“Net Proceeds”** means any insurance proceeds or condemnation award in excess of \$50,000 paid with respect to any of the Property, remaining after payment therefrom of all reasonable expenses incurred in the collection thereof.

**“Nominee”** means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.08 of the Trust Agreement.

**“Opinion of Counsel”** means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

**“Outstanding”** means, with respect to the Certificates, as of any date, Certificates theretofore or thereupon being executed and delivered under the Trust Agreement, except (a) Certificates canceled by the Trustee or delivered to the Trustee for cancellation on or prior to such date, (b) Certificates in lieu of which other Certificates have been executed and delivered, or that have been paid without surrender thereof pursuant to Section 2.10 of the Trust Agreement, and (c) Certificates paid or deemed to have been paid within the meaning of Section 10.02 of the Trust Agreement.

**“Owner”** means, with respect to a Certificate, the Person in whose name such Certificate is registered on the Registration Books.

**“Participating Underwriter”** has the meaning ascribed to such term in the Continuing Disclosure Certificate.

**“Participant”** means any entity which is recognized as a participant by the Depository in the book-entry system of maintaining records with respect to Book-Entry Certificates.

**“Permitted Encumbrances”** means, with respect to the Property, as of any particular time, (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions of Section 8.06 of the Lease Agreement, permit to remain

unpaid, (b) the Assignment Agreement, (c) the Lease Agreement, (d) the Ground Lease, (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law as normally would exist with respect to properties similar to the Property for the purposes for which it was acquired or is held by the District, (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions that exist of record as of the Delivery Date that the District certifies in writing will not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Certificates by the Trust Agreement and the Assignment Agreement, and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Delivery Date that the District certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Certificates by the Trust Agreement and the Assignment Agreement and to which the Corporation and the Insurer consents in writing.

**“Permitted Investments”** means the following:

(a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), and obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully guaranteed by the United States of America (“Federal Securities”);

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand deposit accounts or time deposits (including certificates of deposit) in a federal or state chartered bank (including the Trustee and its affiliates) or a state licensed branch of a foreign bank or a state or federal association (as defined in Section 5102 of the California Financial Code), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated A1 or better by S&P, or (ii) such demand deposit accounts or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase in the highest short-term rating category by S&P, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank whose short-term obligations are rated at the time of purchase in the highest short-term rating category by S&P, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Code and which are rated A or better by S&P;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P;

(h) money market funds which are rated Am or better by S&P, including funds for which the Trustee and its affiliates receive and retain a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;

(i) an investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution or corporation, the long-term unsecured obligations of which are or, in the case of an insurance company, the long term financial strength of which is, rated "AA-" or better by S&P at the time of initial investment; provided, that the investment agreement shall be subject to a downgrade provision with at least the following requirements:

(1) the agreement shall provide that within ten Business Days after the financial institution's long-term unsecured credit rating has been withdrawn, suspended, or reduced below "AA-" by S&P (such events referred to as "rating downgrades") the financial institution shall give notice to the District and the Trustee and, within such ten-day period, and for as long as the rating downgrade is in effect, shall deliver in the name of the Trustee Federal Securities with an aggregate current market value equal to at least 105% of the principal amount of the investment agreement invested with the financial institution at that time, and shall deliver additional Federal Securities as needed to maintain an aggregate current market value equal to at least 105% of the principal amount of the investment agreement within three days after each evaluation date, which shall be at least weekly, and

(2) the agreement shall provide that, if the financial institution's long-term unsecured credit rating is reduced below "A-" by S&P, the financial institution shall give notice of the downgrade to the District and the Trustee within five Business Days, and the Trustee may, upon five Business Days' written notice to the financial institution, withdraw all amounts invested pursuant to the investment agreement, with accrued but unpaid interest thereon to the withdrawal date, and terminate the agreement.

(j) repurchase agreements with (i) any domestic bank, or domestic branch of a foreign bank, the long-term debt of which is rated at least "A" by S&P and Moody's; (ii) any broker-dealer with "retail customers" or a related affiliate thereof, which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term

debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (iii) any other entity (or entity whose obligations are guaranteed by an affiliate or parent company) rated at least “A” by S&P and Moody’s, provided that:

(1) the market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);

(2) the Trustee or a third party acting solely as agent therefor (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);

(3) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(4) all other requirements of S&P and Moody’s in respect of repurchase agreements shall be met; and

(5) the repurchase agreement shall provide that if during its term the provider’s rating by either S&P or Moody’s is withdrawn or suspended or falls below “A-” or “A3” respectively, the provider must immediately notify the District and Trustee and the provider must, at the direction of the District or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Trustee.

**“Persons”** means an individual, corporation, firm, association, partnership, limited liability company, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

**“Policy Payments Account”** means the account by that name established and held by the Trustee pursuant to subsection (d) of Section 11.02 of the Trust Agreement.

**“Preference Claim”** has the meaning ascribed to such term in Section 11.01(m) of the Trust Agreement.

**“Prepayment Fund”** means the fund by that name established and held by the Trustee pursuant to Section 5.02 of the Trust Agreement.

**“Principal Fund”** means the fund by that name established and held by the Trustee pursuant to Section 5.02 of the Trust Agreement.

**“Principal Office”** means the Trustee’s principal corporate trust office in Los Angeles, California, or any other office designated by the Trustee.

**“Principal Payment Date”** means, with respect to a Certificate, the date on which the principal evidenced by such Certificate is scheduled, as of the date of execution and delivery of such Certificate, to become due and payable.

**“Project”** consists of the acquisition, installation and equipping of solar, heating, ventilation and air conditioning and lighting systems throughout the District.

**“Property”** means the real property described in Exhibit B to the Lease Agreement and any improvements thereto.

**“Purchaser”** means D.A. Davidson & Co., as underwriter and purchaser of the Certificates pursuant to the Certificate Purchase Agreement.

**“Rebate Fund”** means the fund by that name established and held by the Trustee pursuant to Section 5.06 of the Trust Agreement.

**“Rebate Requirement”** has the meaning ascribed to such term in the Tax Certificate.

**“Record Date”** means, with respect to any Interest Payment Date, the fifteenth day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

**“Registration Books”** means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Certificates pursuant to Section 2.06 of the Trust Agreement.

**“Release”** means to pump, spill, leak, dispose of, empty, discharge or release.

**“Rental Payments”** means, collectively, the Base Rental Payments and the Additional Rental Payments.

**“Rental Period”** means the period from the Delivery Date through June 30, 2021 and, thereafter, the twelve-month period commencing on July 1 of each year during the term of the Lease Agreement.

**“Reserve Facility”** means the Reserve Policy and any line of credit, letter of credit, insurance policy, surety bond or other credit source deposited with the Trustee pursuant to Section 5.05 of the Trust Agreement.

**“Reserve Fund”** means the fund by that name established and held by the Trustee pursuant to Section 5.05 of the Trust Agreement.

**“Reserve Insurer”** means [\_\_\_\_\_], [a New York mutual insurance corporation], or any successor thereto or assignee thereof.

**“Reserve Policy”** means the Municipal Bond Debt Service Reserve Insurance Policy, and any endorsement thereto, issued by the Reserve Insurer under which claims may be made in order to provide moneys in the Reserve Fund available for the purposes thereof.

**“Reserve Requirement”** means, as of any date of calculation, an amount equal to the least of (a) 10% of the outstanding par amount evidenced by the Certificates, (b) the maximum amount of outstanding principal and interest evidenced by the Certificates coming due in any Certificate Year and (c) 125% of the average amount of outstanding principal and interest evidenced by the Certificates coming due in each Certificate Year.

**“S&P”** means S&P Global Ratings, a business unit of Standard and Poor’s Financial Services, LLC, its successors and assigns, and, if S&P Global Ratings shall for any reason no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the District.

**“Scheduled Termination Date”** means June 1, 20\_\_.

**“Tax Certificate”** means the Tax Certificate executed by the District at the time of execution and delivery of the Certificates relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof.

**“Trust Agreement”** means the Trust Agreement, dated as of [\_\_\_\_\_] 1, 2021, by and among the Trustee, the Corporation and the District, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof.

**“Trustee”** means The Bank of New York Mellon Trust Company, N.A., as trustee under the Trust Agreement, or any successor thereto as Trustee under the Trust Agreement substituted in its place as provided therein.

**“Verification Report”** means, with respect to the deemed payment of Certificates pursuant to clause (ii) of subsection (a) of Section 10.02 of the Trust Agreement, a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements of clause (ii) of subsection (a) of Section 10.02 of the Trust Agreement.

**“Written Certificate of the Corporation”** means a written certificate signed in the name of the Corporation by an Authorized Corporation Representative. Any such certificate may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

**“Written Certificate of the District”** or **“Written Request of the District”** means, respectively, a written certificate or written request signed in the name of the District by an Authorized District Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

## **EXHIBIT B**

### **DESCRIPTION OF THE PROPERTY**

All that real property situated in the County of Yuba, State of California, described as follows, together with any improvements thereto:

[END OF LEGAL DESCRIPTION]

[The above-described properties are commonly referred to as (i) the Yuba Feather Elementary School located at 18008 Oregon Hill Road, Challenge, California 95925, (ii) the Ella Elementary School located at 4850 Olivehurst Avenue, Olivehurst, California 95961, (iii) Anna McKenney Intermediate School located at 1904 Huston Street, Marysville, California 95901, and (iv) Johnson Park Elementary School located at 4364 Lever Avenue, Olivehurst, California 95961.]

**EXHIBIT C**

**BASE RENTAL PAYMENT SCHEDULE**

<u>Interest Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Base Rental Payment</u>
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# TRUST AGREEMENT

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**TRUST AGREEMENT**

**by and among**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
AS TRUSTEE**

**and**

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
FINANCING CORPORATION**

**and**

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**Dated as of [\_\_\_\_\_] 1, 2021**

**Relating To  
Marysville Joint Unified School District  
Certificates of Participation  
(2021 Energy Efficiency Projects)**

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## **TRUST AGREEMENT**

**THIS TRUST AGREEMENT** (this “Trust Agreement”), dated as of [\_\_\_\_\_] 1, 2021, is by and among THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under and by virtue of the laws of the United States of America, as Trustee (the “Trustee”), the MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT FINANCING CORPORATION, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the “Corporation”), and the MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT, a school district organized and existing under the laws of the State of California (the “District”).

### **W I T N E S S E T H:**

**WHEREAS**, in order to finance the acquisition, installation and equipping of solar, heating, ventilation and air conditioning and lighting systems throughout the District (the “Project”), the District has leased certain real property owned by the District and the improvements thereto (the “Property”) to the Corporation pursuant to a Ground Lease, dated as of the date hereof (the “Ground Lease”), and the District has subleased the Property back from the Corporation pursuant to a Lease Agreement, dated as of the date hereof (the “Lease Agreement”); and

**WHEREAS**, the Property is more particularly described in Exhibit A to the Ground Lease; and

**WHEREAS**, the funds necessary to finance the Project are provided through the sale and delivery of the Marysville Joint Unified School District Certificates of Participation (2021 Energy Efficiency Projects) (the “Certificates”), evidencing direct, fractional undivided interests of the owners thereof in the base rental payments (the “Base Rental Payments”) to be made by the District under the Lease Agreement; and

**WHEREAS**, the Certificates are being executed and delivered pursuant to this Trust Agreement; and

**WHEREAS**, in order to provide for the execution and delivery of the Certificates, the Corporation desires to sell, assign and transfer to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Certificates, substantially all of its right, title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments, pursuant to an Assignment Agreement, dated as of the date hereof (the “Assignment Agreement”), by and between the Corporation and the Trustee; and

**WHEREAS**, in consideration of such assignment and the execution of this Trust Agreement, the Trustee has agreed to execute and deliver the Certificates; and

**WHEREAS**, the Ground Lease and a memorandum of the Lease Agreement are being recorded with the Yuba County Recorder concurrently with the recordation of the Assignment Agreement; and

**WHEREAS**, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this

Trust Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Trust Agreement;

**NOW, THEREFORE**, in consideration of the premises and of the mutual agreements and covenants contained herein and for other valuable consideration, the receipt of which is hereby acknowledged, the parties hereto do hereby agree as follows:

## ARTICLE I

### DEFINITIONS; RULES OF CONSTRUCTION; EQUAL SECURITY

**Section 1.01. Definitions.** Certain terms are defined in Exhibit A attached hereto and by this reference incorporated herein. Unless the context otherwise requires, the terms defined in Exhibit A hereto shall, for all purposes hereof and of any certificate, opinion or other document mentioned herein or therein, have the meanings herein specified.

**Section 1.02. Rules of Construction.** (a) The terms defined herein expressed in the singular shall, unless the context otherwise indicates, include the plural and vice versa.

(b) The use herein of the masculine, feminine or neuter gender is for convenience only and shall be deemed and construed to include correlative words of the masculine, feminine or neuter gender, as appropriate.

(c) References herein to a document shall include all amendments, supplements or other modifications to such document, and any replacements, substitutions or novation of, that document.

(d) Any term defined herein by reference to another document shall continue to have the meaning ascribed thereto whether or not such other document remains in effect.

(e) The use herein of the words “including” and “includes,” and words of similar import, shall be deemed to be followed by the phrase “without limitation.”

(f) Headings of Articles and Sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(g) All references herein to designated “Articles,” “Sections,” “Exhibits,” “subsections,” “paragraphs,” “clauses,” and other subdivisions are to the designated Articles, Sections, Exhibits, subsections, paragraphs, clauses, and other subdivisions of this Trust Agreement.

(h) The words “hereof” (except when preceded by a specific Section or Article reference), “herein,” “hereby,” “hereunder,” “hereinabove,” “hereinafter,” and other equivalent words and phrases used herein refer to this Trust Agreement and not solely to the particular portion hereof in which any such word is used.

**Section 1.03. Equal Security.** In consideration of the acceptance of the Certificates by the Owners, this Trust Agreement shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest and principal evidenced by the Certificates that may be executed and delivered hereunder, subject to each of the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to security or otherwise of any Certificate over any

other Certificate by reason of the number or date thereof or the time of execution or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

**ARTICLE II**

**TERMS AND CONDITIONS OF CERTIFICATES**

**Section 2.01. Preparation and Delivery of Certificates.** The Trustee is hereby authorized and directed to prepare the Certificates and, upon the Written Request of the District, shall execute and deliver the Certificates in the aggregate amount of \$[\_\_\_\_\_] evidencing the aggregate principal components of the Base Rental Payments and each evidencing a direct, fractional undivided interest in the Base Rental Payments. The Certificates shall be numbered, with or without prefixes, as directed by the Trustee. The Trustee is hereby authorized to deliver the Certificates to the Purchaser pursuant to the Certificate Purchase Agreement upon receipt of a Written Request of the District and upon receipt of the proceeds of sale thereof.

**Section 2.02. Denomination, Medium and Dating of Certificates.** The Certificates shall be designated “Marysville Joint Unified School District Certificates of Participation (2021 Energy Efficiency Projects),” shall be prepared in the form of fully registered Certificates, without coupons, in Authorized Denominations and shall be payable in lawful money of the United States of America. The Certificates shall be dated the Delivery Date. Each Certificate shall evidence interest from the Interest Payment Date next preceding its date of execution to which interest has been paid in full, unless such date of execution shall be after a Record Date and on or prior to the following Interest Payment Date, in which case such Certificate shall evidence interest from such Interest Payment Date, or unless such date of execution shall be on or prior to [\_\_\_\_\_] 15, 2021, in which case such Certificate shall represent interest from the Delivery Date. Notwithstanding the foregoing, if, as shown by the records of the Trustee, interest evidenced by the Certificates shall be in default, each Certificate shall evidence interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for.

**Section 2.03. Payment Dates of Certificates; Interest Computation.** (a) *Method and Place of Payment.* The principal evidenced by the Certificates shall become due and payable, subject to prior prepayment, on June 1 of the years, in the amounts, and the interest evidenced by the Certificates shall accrue at the rates per annum set forth below, computed on the basis of a 360-day year consisting of twelve 30-day months:

<u>Principal Payment Date</u> (June 1)	<u>Principal</u> <u>Component</u>	<u>Interest</u> <u>Rate</u>
	\$	%

Except as otherwise provided in the Letter of Representations, payments of interest evidenced by the Certificates shall be made to the Owners thereof, as determined at the close of business on the Record Date next preceding the related Interest Payment Date, by check or draft of the Trustee mailed on the Interest Payment Date to the address of each such Owner as it appears on the Registration Books, or to such other address as may be furnished in writing to the Trustee by each such Owner. Except as otherwise provided in the Letter of Representations, payment of principal and prepayment premium, if any, evidenced by the Certificates, on their stated Principal Payment Dates or on prepayment in whole or in part prior thereto, shall be made only upon presentation and surrender of the Certificates at the Principal Office of the Trustee.

(b) *Computation of Interest.* The interest evidenced by the Certificates shall be payable on each Interest Payment Date to their respective Principal Payment Dates or prepayment prior thereto, and shall represent the sum of the portions of the Base Rental Payments evidenced thereby designated as interest components coming due on the Interest Payment Dates in each year. The principal evidenced by the Certificates shall be payable on their respective Principal Payment Dates and Mandatory Sinking Account Payment Dates in each year and shall represent the sum of the portions of the Base Rental Payments designated as principal components coming due on the Principal Payment Dates and Mandatory Sinking Account Payment Dates in each year.

**Section 2.04. Form of Certificates.** The Certificates shall be in substantially the form of Exhibit B hereto, with necessary or appropriate insertions, omissions and variations as permitted or required hereby.

**Section 2.05. Execution of Certificates.** The Certificates shall be executed by the Trustee by the manual signature of an authorized signatory of the Trustee.

**Section 2.06. Certificate Registration Books.** (a) The Trustee shall keep at its Principal Office sufficient books for the registration and transfer of the Certificates, which books shall be available for inspection and copying by the District and the Insurer at reasonable hours and under reasonable conditions; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Certificates on such books as hereinabove provided.

(b) The Trustee may treat the Owner of any Certificate as the absolute owner of such Certificate for all purposes, whether or not the principal or interest evidenced by such Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal evidenced by such Certificate shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability evidenced by such Certificate to the extent of the sum or sums so paid.

**Section 2.07. Transfer and Payment of Certificates; Exchange of Certificates.** Each Certificate is transferable by the Owner thereof, in person or by his attorney duly authorized in writing, at the Principal Office of the Trustee, upon surrender of such Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any Certificate shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates evidencing principal in the same aggregate amount and having the same stated Principal Payment Date. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Each Certificate may be exchanged at the Principal Office of the Trustee for Certificates evidencing principal in a like aggregate amount and having the same stated Principal Payment Date in such Authorized Denominations as the Owner thereof may request. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be required to transfer or exchange any Certificate during the period commencing on the date five days before the date of selection of Certificates for prepayment and ending on the date of mailing notice of such prepayment, nor shall the Trustee be required to transfer or exchange any Certificate or portion thereof selected for prepayment from and after the date of mailing the notice of prepayment thereof.

Prior to any transfer of the Certificates outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

**Section 2.08. Book-Entry System.** (a) The Certificates shall initially be executed and delivered as Book-Entry Certificates and the Certificates for each stated Principal Payment Date shall be in the form of a separate single fully registered Certificate (which may be typewritten). The ownership of each Book-Entry Certificate shall be registered in the Registration Books in the name of the Nominee, as nominee of the Depository. Payment of principal or interest evidenced by any Book-Entry Certificate registered in the name of the Nominee shall be made on the applicable payment date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of the Nominee. Such payments shall be made to the Nominee at the address which is, on the Record Date, shown for the Nominee in the Registration Books.

(b) With respect to Book-Entry Certificates, the District, the Corporation and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such Book-Entry Certificates. Without limiting the immediately preceding sentence, the District, the Corporation and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any ownership interest in Book-Entry Certificates, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Registration Books, of any notice with respect to Book-Entry Certificates, including any notice of prepayment, (iii) the selection by the Depository and its Participants of the beneficial interests in Book-Entry Certificates to be prepaid in the event Certificates are prepaid in part, (iv) the payment

to any Participant or any other person, other than an Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest evidenced by Book-Entry Certificates, or (v) any consent given or other action taken by the Depository as Owner.

(c) The District and the Trustee may treat and consider the person in whose name each Book-Entry Certificate is registered in the Registration Books as the absolute Owner of such Book-Entry Certificate for the purpose of payment of principal, prepayment premium, if any, and interest evidenced by such Certificate, for the purpose of selecting any Certificates, or portions thereof, to be prepaid, for the purpose of giving notices of prepayment and other matters with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, for the purpose of obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and the District, the Corporation and the Trustee shall not be affected by any notice to the contrary.

(d) In the event of a prepayment of all or a portion of a Certificate, the Depository, in its discretion, (i) may request the Trustee to execute and deliver a new Certificate, or (ii) if DTC is the sole Owner of such Certificate, shall make an appropriate notation on the Certificate indicating the date and amounts of the reduction in principal evidenced thereby resulting from such prepayment, except in the case of final payment, in which case such Certificate must be presented to the Trustee prior to payment.

(e) The Trustee shall pay all principal, premium, if any, and interest evidenced by the Certificates only to or “upon the order of” (as that term is used in the Uniform Commercial Code as adopted in the State of California) the respective Owner, as shown in the Registration Books, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal, premium, if any, and interest evidenced by the Certificates to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Registration Books, shall receive a Certificate evidencing principal, premium, if any, and interest evidenced by the Certificates. Upon delivery by the Depository to the Owners, the Trustee and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Trust Agreement shall refer to such nominee of the Depository.

(f) In order to qualify the Book-Entry Certificates for the Depository’s book-entry system, the District shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Corporation, the District or the Trustee any obligation whatsoever with respect to persons having interests in such Book-Entry Certificates other than the Owners, as shown on the Registration Books. Such Letter of Representations may provide the time, form, content and manner of transmission, of notices to the Depository. In addition to the execution and delivery of a Letter of Representations by the District, the District, the Corporation and the Trustee shall take such other actions, not inconsistent with this Trust Agreement, as are reasonably necessary to qualify Book-Entry Certificates for the Depository’s book-entry program.

(g) In the event the District determines that it is in the best interests of the Beneficial Owners that they be able to obtain certificated Certificates and that such Certificates should

therefore be made available and notifies the Depository and the Trustee of such determination, the Depository will notify the Participants of the availability through the Depository of certificated Certificates. In such event, the Trustee shall transfer and exchange certificated Certificates as requested by the Depository and any other Owners in appropriate amounts. In the event (i) the Depository determines not to continue to act as securities depository for Book-Entry Certificates, or (ii) the Depository shall no longer so act and gives notice to the Trustee of such determination, then the District shall discontinue the Book-Entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully registered Certificate for each stated Principal Payment Date of such Book-Entry Certificates, registered in the name of such successor or substitute qualified securities depository or its nominee. If the District fails to identify another qualified securities depository to replace the Depository, then the Certificates shall no longer be restricted to being registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Certificates shall designate, in accordance with the provisions of Sections 2.07 and 2.10 hereof. Whenever the Depository requests the District to do so, the District will cooperate with the Depository in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Book-Entry Certificates to any Participant having Book-Entry Certificates credited to its account with the Depository, and (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Book-Entry Certificates.

(h) Notwithstanding any other provision of this Trust Agreement to the contrary, if DTC is the sole Owner of the Certificates, so long as any Book-Entry Certificate is registered in the Registration Books in the name of the Nominee, all payments of principal, premium, if any, and interest evidenced by such Certificate and all notices with respect to such Certificate shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository.

(i) In connection with any notice or other communication to be provided to Owners pursuant to this Trust Agreement by the District, the Corporation or the Trustee, with respect to any consent or other action to be taken by Owners, the Trustee shall establish a record date for such consent or other action and give the Depository notice of such record date no later than 15 calendar days in advance of such record date to the extent possible. Notice to the Depository shall be given only when DTC is the sole Owner of the Certificates.

**Section 2.09. Temporary Certificates.** The Certificates may be initially delivered in temporary form exchangeable for definitive Certificates when ready for delivery, which temporary Certificates shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions hereof as may be appropriate. Every temporary Certificate shall be executed and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Certificates. If the Trustee executes and delivers temporary Certificates, it shall prepare and execute definitive Certificates without delay, and thereupon the temporary Certificates may be surrendered at the Principal Office of the Trustee in exchange for such definitive Certificates, and until so exchanged such temporary Certificates shall be entitled to the same benefits hereunder as definitive Certificates executed and delivered hereunder.

**Section 2.10. Certificates Mutilated, Lost, Destroyed or Stolen.** If any Certificate shall become mutilated, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate evidencing a like principal amount and having the same stated Principal Payment Date and number in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and disposed of in a manner deemed appropriate by the Trustee. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate evidencing a like principal amount and having the same stated Principal Payment Date, numbered as the Trustee shall determine, in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate executed and delivered by it under this Section and of the expenses which may be incurred by it under this Section. Any Certificate executed and delivered under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Certificates executed and delivered hereunder, and the Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of executing and delivering a new Certificate for a Certificate which has been lost, destroyed or stolen and which evidences principal that is then payable, the Trustee may make payment of such Certificate to the Owner thereof if so instructed by the District.

## ARTICLE III

### PROCEEDS OF CERTIFICATES

**Section 3.01. Delivery of Certificates.** The Trustee shall execute the Certificates and deliver the Certificates to the Purchaser upon receipt of a Written Request of the District and upon receipt of the proceeds of sale thereof in the amount specified in Section 3.02.

**Section 3.02. Proceeds of Certificates.** The proceeds of the Certificates shall be used by the Corporation to pay the District the rental payment due under the Ground Lease. The District hereby directs the Corporation to make such payment to the Trustee. The proceeds of the sale of the Certificates so received by the Trustee, \$[\_\_\_\_\_] (which constitutes the purchase price of the Certificates less the premium for the Insurance Policy (\$[\_\_\_\_\_] to be wired directly to the Insurer by the Purchaser, and less the premium for the Reserve Policy (\$[\_\_\_\_\_] to be wired directly to the Reserve Insurer by the Purchaser), shall be deposited by the Trustee as follows:

- (a) the Trustee shall deposit in the Capitalized Interest Account within the Interest Fund established pursuant to Section 5.02 hereof the amount of \$[\_\_\_\_\_];
- (b) the Trustee shall deposit in the Costs of Issuance Fund established pursuant to Section 3.03 hereof the amount of \$[\_\_\_\_\_]; and
- (c) the Trustee shall deposit in the Acquisition Fund established pursuant to Section 3.04 hereof the amount of \$[\_\_\_\_\_].

The Trustee shall deposit in the Reserve Fund established pursuant to Section 5.05 hereof the Reserve Policy, in an amount equal to the Reserve Requirement.

**Section 3.03. Costs of Issuance Fund.** (a) The Trustee shall establish and maintain a separate special fund to be held by the Trustee designated the “Costs of Issuance Fund.” On the Delivery Date, there shall be deposited in the Costs of Issuance Fund the amount required to be deposited therein pursuant to Section 3.02 hereof.

(b) The Trustee shall disburse moneys from the Costs of Issuance Fund on such dates and in such amounts as are necessary to pay Costs of Issuance, in each case upon the Written Request of the District, stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the Costs of Issuance Fund. The Trustee may conclusively rely on the Written Request of the District submitted in accordance with this Section 3.03(b) as complete authorization for the disbursements made pursuant thereto. Each such Written Request of the District shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the last Business Day that is no later than six months after the Delivery Date, the Trustee shall transfer any amounts then remaining in the Costs of Issuance Fund to the Base Rental Payment Fund and the Trustee shall close the Costs of Issuance Fund.

**Section 3.04. Acquisition Fund.** (a) The Trustee shall establish and maintain a separate fund to be held by the Trustee designated the “Acquisition Fund.” On the Delivery Date, there

shall be deposited in the Acquisition Fund the amount required to be deposited therein pursuant to Section 3.02 hereof. All moneys in the Acquisition Fund shall be held by the Trustee in trust and applied by the Trustee, as provided in this Section, to the payment of Acquisition Costs.

(b) Upon receipt by the Trustee of a Written Request of the District requesting the Trustee to make a payment from the Acquisition Fund, which Written Request shall be in substantially the form of Exhibit C hereto, the Trustee shall pay the amount set forth in such Written Request as directed by the terms thereof. The Trustee may conclusively rely on the Written Request of the District submitted in accordance with this Section 3.04(b) as complete authorization for the disbursements made pursuant thereto. Each such Written Request of the District shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(c) Upon the filing of a Written Certificate of the District stating (i) that the portion of the Project to be financed from the Acquisition Fund has been completed and that all costs of such Project have been paid, or (ii) that such portion of the Project has been substantially completed and that all remaining costs of such portion of the Project have been determined and specifying the amount to be retained therefor, the Trustee shall (A) if the amount remaining in the Acquisition Fund (less any such retention) is equal to or greater than \$50,000, transfer the portion of such amount equal to the largest integral multiple of \$5,000 that is not greater than such amount to the Prepayment Fund, to be applied to the prepayment of Certificates pursuant to Section 4.01(b), and (B) after making the transfer, if any, required to be made pursuant to the preceding clause (A), transfer all of the amount remaining in the Acquisition Fund (less any such retention) to the Interest Fund, to be applied to the payment of interest evidenced by the Certificates.

**ARTICLE IV**

**PREPAYMENT OF CERTIFICATES**

**Section 4.01. Terms of Prepayment.** (a) *Extraordinary Prepayment.* The Certificates are subject to prepayment prior to their stated Principal Payment Dates, on any date, in whole or in part, in Authorized Denominations, from and to the extent of any Net Proceeds received with respect to all or a portion of the Property, deposited by the Trustee in the Prepayment Fund pursuant to Sections 5.03 and 5.04 hereof, at a prepayment price equal to the principal evidenced by the Certificates to be prepaid, plus unpaid accrued interest, if any, evidenced thereby to the date fixed for prepayment, without premium.

(b) *Optional Prepayment.* The Certificates maturing on or before June 1, 20[\_\_\_], are not subject to optional prepayment prior to their respective stated Principal Payment Dates. The Certificates maturing on or after June 1, 20[\_\_\_], are subject to optional prepayment prior to their respective stated Principal Payment Dates, on any date on or after June 1, 20[\_\_\_], in whole or in part, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to subsection (a) of Section 7.02 of the Lease Agreement, any such prepayment to be at a price equal to the principal evidenced by the Certificates to be prepaid, plus unpaid accrued interest evidenced thereby to the date fixed for prepayment, without premium.

(c) *Mandatory Sinking Account Prepayment.* (i) The Certificates with a stated Principal Payment Date of June 1, 20[\_\_\_] are subject to prepayment prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each June 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Certificates to be so prepaid and the dates therefor shall be as follows:

Prepayment Date <u>(June 1)</u>	Principal <u>To Be Prepaid</u> \$
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\_\_\_\_\_  
\*Stated Principal Payment Date

If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of June 1, 20[\_\_\_] is prepaid pursuant to subsection (a) of Section 4.01 hereof, the principal evidenced by the Certificates with a stated Principal Payment Date of June 1, 20[\_\_\_] to be prepaid pursuant to subsection (c) of Section 4.01 hereof on any subsequent June 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of June 1, 20[\_\_\_] so prepaid pursuant to subsection (a) of Section 4.01 hereof, such reduction to be allocated among prepayment dates in proportion to the amount by which the principal components of the Base Rental Payments evidenced by such Certificates payable on such prepayment dates are abated pursuant to Section 3.06 of the Lease Agreement as a result of the event that caused such Certificates to be prepaid pursuant to subsection (a) of Section 4.01 hereof in amounts of Authorized Denominations. If some but not all of the principal evidenced by the

Certificates with a stated Principal Payment Date of June 1, 20[\_\_\_] is prepaid pursuant to subsection (b) of Section 4.01 hereof, the principal evidenced by the Certificates with a stated Principal Payment Date of June 1, 20[\_\_\_] to be prepaid pursuant to subsection (c) of Section 4.01 hereof on any subsequent June 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of June 1, 20[\_\_\_] so prepaid pursuant to subsection (b) of Section 4.01 hereof, such reduction to be allocated among prepayment dates in amounts of Authorized Denominations to correspond to the prepaid Base Rental Payments elected by the District pursuant to Section 7.02 of the Lease Agreement. If any Certificates are prepaid pursuant to subsection (a) or (b) of Section 4.01, the District will provide the Trustee with a new schedule of Mandatory Sinking Account Payments reflective of the provisions of this subsection.

(d) The Certificates with a stated Principal Payment Date of June 1, 20[\_\_\_] are subject to prepayment prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each June 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Certificates to be so prepaid and the dates therefor shall be as follows:

Prepayment Date <u>(June 1)</u>	Principal <u>To Be Prepaid</u> \$
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\*

\*Stated Principal Payment Date

If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of June 1, 20[\_\_\_] is prepaid pursuant to subsection (a) of Section 4.01 hereof, the principal evidenced by the Certificates with a stated Principal Payment Date of June 1, 20[\_\_\_] to be prepaid pursuant to subsection (d) of Section 4.01 hereof on any subsequent June 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of June 1, 20[\_\_\_] so prepaid pursuant to subsection (a) of Section 4.01 hereof, such reduction to be allocated among prepayment dates in proportion to the amount by which the principal components of the Base Rental Payments evidenced by such Certificates payable on such prepayment dates are abated pursuant to Section 3.06 of the Lease Agreement as a result of the event that caused such Certificates to be prepaid pursuant to subsection (a) of Section 4.01 hereof in amounts of Authorized Denominations. If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of June 1, 20[\_\_\_] is prepaid pursuant to subsection (b) of Section 4.01 hereof, the principal evidenced by the Certificates with a stated Principal Payment Date of June 1, 20[\_\_\_] to be prepaid pursuant to subsection (d) of Section 4.01 hereof on any subsequent June 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of June 1, 20[\_\_\_] so prepaid pursuant to subsection (b) of Section 4.01 hereof, such reduction to be allocated among prepayment dates in amounts of Authorized Denominations to correspond to the prepaid Base Rental Payments elected by the District pursuant to Section 7.02 of the Lease Agreement. If any Certificates are prepaid pursuant to subsection (a) or (b) of Section 4.01, the District will provide the Trustee with a new schedule of Mandatory Sinking Account Payments reflective of the provisions of this subsection.

**Section 4.02. Selection of Certificates for Prepayment.** Whenever less than all the Outstanding Certificates are to be prepaid on any one date, the Trustee shall select the Certificates to be prepaid (a) with respect to any prepayment pursuant to subsection (a) of Section 4.01 hereof, among Certificates with different stated Principal Payment Dates in proportion to the amount by which the principal components of the Base Rental Payments evidenced by such Certificates are abated pursuant to Section 3.06 of the Lease Agreement, and (b) with respect to any prepayment pursuant to subsection (b) of Section 4.01 hereof, as directed in a Written Request of the District, and by lot among Certificates with the same stated Principal Payment Date in any manner that the Trustee deems fair and appropriate, which decision shall be final and binding upon the District and the Owners. For purposes of such selection, any Certificate may be prepaid in part in Authorized Denominations.

**Section 4.03. Notice of Prepayment.** (a) The District shall give the Trustee written notice of its intention to redeem the Certificates pursuant to Section 4.01 no less than 30 days prior to the proposed redemption date. The Trustee shall mail (by first class mail) notice of any prepayment to the respective Owners of any Certificates designated for prepayment at their respective addresses appearing on the Registration Books at least 20 but not more than 60 days prior to the date fixed for prepayment. Such notice shall state the date of the notice, the prepayment date, the prepayment place and the prepayment price and shall designate the CUSIP numbers, if any, the Certificate numbers and the stated Principal Payment Date or Principal Payment Dates of the Certificates to be prepaid (except in the event of prepayment of all of the Certificates in whole), and shall require that such Certificates be then surrendered at the Principal Office of the Trustee for prepayment at the prepayment price, giving notice also that further interest evidenced by such Certificates will not accrue from and after the date fixed for prepayment. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the prepayment of the Certificates or the cessation of accrual of interest evidenced thereby from and after the date fixed for prepayment.

(b) With respect to any notice of any optional prepayment of Certificates, unless at the time such notice is given the Certificates to be prepaid shall be deemed to have been paid within the meaning of Section 10.02 hereof, such notice shall state that such prepayment is conditional upon receipt by the Trustee, on or prior to the date fixed for such prepayment, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the prepayment price of, and accrued interest evidenced by, the Certificates to be prepaid, and that if such moneys shall not have been so received said notice shall be of no force and effect and such Certificates shall not be required to be prepaid. In the event a notice of prepayment of Certificates contains such a condition and such moneys are not so received, the prepayment of Certificates as described in the conditional notice of prepayment shall not be made and the Trustee shall, within a reasonable time after the date on which such prepayment was to occur, give notice to the Persons and in the manner in which the notice of prepayment was given, that such moneys were not so received and that there shall be no prepayment of Certificates pursuant to such notice of prepayment.

**Section 4.04. Partial Prepayment of Certificates.** Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof a new Certificate or Certificates evidencing the unprepaid principal with respect to the Certificate surrendered.

**Section 4.05. Effect of Prepayment.** If notice of prepayment has been duly given as aforesaid and moneys for the payment of the prepayment price of the Certificates to be prepaid are held by the Trustee, then on the prepayment date designated in such notice, the Certificates so called for prepayment shall become payable at the prepayment price specified in such notice; and from and after the date so designated, interest evidenced by the Certificates so called for prepayment shall cease to accrue, such Certificates shall cease to be entitled to any benefit or security hereunder and the Owners of such Certificates shall have no rights in respect thereof except to receive payment of the prepayment price thereof, and such moneys shall be pledged to such prepayment. The Trustee shall, upon surrender for payment of any of the Certificates to be prepaid, pay such Certificates at the prepayment price thereof.

All Certificates prepaid pursuant to the provisions of this Article shall be canceled by the Trustee and shall not be redelivered.

## ARTICLE V

### FUNDS AND ACCOUNTS; RENTAL PAYMENTS

**Section 5.01. Pledge; Base Rental Payment Fund.** (a) Subject only to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, in order to secure the District's obligations hereunder and under the Lease Agreement, the District hereby irrevocably pledges to the Owners, and grants a lien on and a security interest in, all of its right, title and interest, if any, in and to all amounts on deposit from time to time in the funds and accounts established hereunder (other than the Rebate Fund), which amounts shall be used for the payment of the Base Rental Payments in accordance with the terms hereof and of the Lease Agreement. Said pledge shall constitute a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the District, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, this Trust Agreement, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

(b) It is the intent of the parties hereto that the Corporation not have any right, title or interest in or to the amounts on deposit from time to time in the funds and accounts established hereunder. If, contrary to the intent of the parties hereto, the Corporation is found to have any right, title or interest in or to any such amounts, then, subject only to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, the Corporation hereby irrevocably pledges to the Owners, and grants a lien on and a security interest in, all of its right, title and interest, if any, in and to all amounts on deposit from time to time in the funds and accounts established hereunder (other than the Rebate Fund). Said pledge shall constitute a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the Corporation, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, this Trust Agreement, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

(c) All Base Rental Payments shall be paid directly by the District to the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof. All Base Rental Payments paid by the District shall be deposited by the Trustee in the Base Rental Payment Fund, which the Trustee shall establish and maintain until all required Base Rental Payments are paid in full pursuant to the Lease Agreement and until the first date upon which the Certificates are no longer Outstanding. The moneys in the Base Rental Payment Fund shall be held in trust by the Trustee and shall be disbursed only for the purposes and uses herein authorized. Any Net Proceeds of rental interruption insurance received with respect to the Property shall be deposited in the Base Rental Payment Fund.

(d) Pursuant to the Assignment Agreement, the Corporation has sold, assigned and transferred to the Trustee, irrevocably and absolutely, for the benefit of the Owners, all of its right,

title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive Base Rental Payments to be paid by the District under and pursuant to the Lease Agreement; provided, however, that the Corporation has retained the rights to indemnifications and to payment or reimbursement of its reasonable costs and expenses under the Lease Agreement. The Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Ground Lease, the Lease Agreement or herein, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

**Section 5.02. Deposit of Base Rental Payments.** The Trustee shall transfer the amounts on deposit in the Base Rental Payment Fund, at the times and in the manner hereinafter provided, to the following respective funds, each of which the Trustee hereby agrees to establish and maintain until all required Base Rental Payments are paid in full pursuant to the Lease Agreement and until the first date upon which the Certificates are no longer Outstanding. The Trustee shall establish and maintain the Capitalized Interest Account within the Interest Fund until the date all amounts are transferred therefrom in accordance with subsection (a) of this Section. The moneys in each of such funds shall be held in trust by the Trustee and shall be disbursed only for the purposes and uses herein authorized.

(a) *Interest Fund and Capitalized Interest Account.* The Trustee, on each Interest Payment Date, shall deposit in the Interest Fund that amount of moneys representing the portion of the Base Rental Payments designated as the interest component coming due on such Interest Payment Date; provided, however, that on each Interest Payment Date through and including [\_\_\_\_\_], prior to making said deposit, the amount set forth in the following table, shall be transferred from the Capitalized Interest Account within the Interest Fund to the Interest Fund. Any amount remaining in the Capitalized Interest Account on [\_\_\_\_\_], shall be transferred to the Interest Fund. On each Interest Payment Date, the Trustee shall withdraw from the Interest Fund, for payment to the Owners, the interest evidenced by the Certificates coming due on such Interest Payment Date.

Interest Payment Date	Amount to be Transferred From Capitalized Interest Account
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(b) *Principal Fund.* The Trustee, on each Principal Payment Date and each Mandatory Sinking Account Payment Date, shall deposit in the Principal Fund that amount of moneys representing the portion of the Base Rental Payments designated as the principal component coming due on such Principal Payment Date or Mandatory Sinking Account Payment Date. On each Principal Payment Date and each Mandatory Sinking Account Payment Date, the Trustee shall withdraw from the Principal Fund, for payment to the Owners, the principal evidenced by

the Certificates due and payable on such Principal Payment Date or Mandatory Sinking Account Payment Date.

(c) *Prepayment Fund.* The Trustee, on the prepayment date specified in the Written Request of the District filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Lease Agreement, shall deposit in the Prepayment Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Additionally, the Trustee shall deposit in the Prepayment Fund any amounts required to be deposited therein pursuant to Section 3.04, Section 5.03 or Section 5.04 hereof. Moneys in the Prepayment Fund shall be used by the Trustee for the purpose of paying the interest, premium, if any, and principal evidenced by the Certificates to be prepaid. All moneys held by the Trustee in the Prepayment Fund shall either be held uninvested or invested in Defeasance Securities, which mature in sufficient amounts and on the dates needed to make the prepayments of Certificates for which such moneys were deposited pursuant to the Written Request of the District.

**Section 5.03. Application of Net Proceeds.** If the Property or any portion thereof shall be damaged or destroyed, subject to the further requirements of this Section, the District shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the District elects not to repair or replace the Property or the affected portion thereof in accordance with the provisions hereof.

The Net Proceeds of any insurance (other than Net Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Property or a portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special account to be established by the Trustee, as an account subject to the provisions of this Trust Agreement, and made available for and, to the extent necessary, shall be applied to the cost of repair or replacement of the Property or the affected portion thereof upon receipt of a Written Request of the District, together with invoices therefor. Pending such application, such proceeds may be invested by the Trustee as directed by the District in Permitted Investments that mature not later than such times as moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the District shall, within 60 days of the occurrence of the event of damage or destruction, notify the Trustee and the Insurer in writing as to whether the District intends to replace or repair the Property or the portions of the Property which were damaged or destroyed. If the District does intend to replace or repair the Property or portions thereof, the District shall deposit with the Trustee the full amount of any insurance deductible to be deposited to the special account.

If such damage, destruction or loss was such that there resulted a substantial interference with the District's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments would result from such damage or destruction pursuant to Section 3.06 of the Lease Agreement (disregarding, for the purpose of determining whether such an abatement would result, the provisions of subsection (b) of Section 3.06 of the Lease Agreement), then the District shall be required either to (a) apply sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Property or the portions thereof which

have been damaged to the condition which existed prior to such damage or destruction, or (b) apply sufficient funds from the insurance proceeds and other legally available funds to the prepayment, as set forth in subsection (a) of Section 4.01 hereof, in full of all the Outstanding Certificates or all of those Outstanding Certificates which would have been payable from that portion of the Base Rental Payments which would be abated as a result of the damage or destruction (disregarding, for the purpose of determining what portion of the Base Rental Payments would be so abated, the provisions of subsection (b) of Section 3.06 of the Lease Agreement). Funds to be applied to the prepayment of Certificates in accordance with clause (b) above shall be deposited in the Prepayment Fund. Any proceeds of any insurance, including the proceeds of any self-insurance remaining after the portion of the Property which was damaged or destroyed is restored to and made available to the District in substantially the same condition and annual fair rental value as that which existed prior to the damage or destruction as required by clause (a) above or the prepayment of Certificates as required by clause (b) above, in each case as evidenced by a Written Certificate of the District to such effect, shall be deposited in the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement (taking into account amounts available under any Reserve Facility). If the District is not required to replace or repair the Property, or the affected portion thereof, as set forth in clause (a) above or to use such amounts to prepay Certificates as set forth in clause (b) above, then such proceeds shall be deposited in the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement (taking into account amounts available under any Reserve Facility). Any amounts not required to be so deposited into the Reserve Fund shall, if there is first delivered to the Trustee and the Insurer a Written Certificate of the District to the effect that the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Lease Agreement in the then current Rental Period or any subsequent Rental Period and the fair replacement value of the Property after such damage or destruction is at least equal to the sum of the then unpaid principal components of Base Rental Payments, be paid to the District to be used for any lawful purpose.

The proceeds of any award in eminent domain with respect to the Property shall be deposited by the Trustee in the Prepayment Fund and applied to the prepayment of Outstanding Certificates pursuant to subsection (a) of Section 4.01 hereof.

**Section 5.04. Title Insurance.** Proceeds of any policy of title insurance received by the Trustee in respect of the Property shall be applied and disbursed by the Trustee as follows:

(a) if the District determines (and sets forth in a Written Certificate of the District) that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Rental Payments payable by the District under the Lease Agreement, such proceeds shall, with the written approval of the Insurer, be remitted to the District and used for any lawful purpose thereof; or

(b) if the District determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and would result in an abatement in whole or in part of Rental Payments payable by the District under the Lease (disregarding, for the purpose of determining whether such an abatement would

result, the provisions of subsection (b) of Section 3.06 of the Lease Agreement), then the District shall, in a Written Request of the District, direct the Trustee to, and the Trustee shall, immediately deposit such proceeds in the Prepayment Fund and such proceeds shall, with the written approval of the Insurer, be applied to the prepayment of Certificates in the manner provided in subsection (a) of Section 4.01 hereof.

**Section 5.05. Reserve Fund.** (a) The Trustee shall establish and maintain the Reserve Fund until all required Base Rental Payments are paid in full pursuant to the Lease Agreement and until the first date upon which the Certificates are no longer Outstanding. There shall be deposited in the Reserve Fund on the Delivery Date the Reserve Policy pursuant to Section 3.02 hereof. The moneys in the Reserve Fund and any Reserve Facility shall be held in trust by the Trustee and shall be used and disbursed only for the purposes and uses herein authorized.

(b) The District may substitute a Reserve Facility for all or a part of the Reserve Facility then on deposit in the Reserve Fund by depositing such substitute Reserve Facility with the Trustee so long as, at the time of such substitution, the amount on deposit in the Reserve Fund, together with the amount available under such Reserve Facility and any previously substituted Reserve Facilities, shall be at least equal to the Reserve Requirement; provided, however, that, prior to any such substitution, the Trustee shall have received the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy). The District shall not substitute any Reserve Facility in lieu of all or any portion of moneys on deposit in the Reserve Fund without the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy). Moneys for which a Reserve Facility has been substituted as provided herein shall be transferred, at the election of the District, to the Base Rental Payment Fund, or upon receipt of an Opinion of Counsel to the effect that such transfer, in and of itself, will not adversely affect the exclusion of interest evidenced by the Certificates from gross income for federal income tax purposes, to a special account to be held by the Trustee and applied to the payment of capital costs of the District, as directed in a Written Request of the District. Any amounts paid pursuant to any Reserve Facility shall be deposited in the Reserve Fund.

(c) Amounts on deposit in the Reserve Fund which were not derived from payments under any Reserve Facility credited to the Reserve Fund to satisfy a portion of the Reserve Requirement shall be used and withdrawn by the Trustee prior to using and withdrawing any amounts derived from payments under any such Reserve Facility. In order to accomplish such use and withdrawal of such amounts not derived from payments under any such Reserve Facility, the Trustee shall, as and to the extent necessary, liquidate any investments purchased with such amounts. If and to the extent that, more than one Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Requirement, drawings thereunder, and repayment of expenses with respect thereto, shall be made on a *pro-rata* basis (calculated by reference to the policy limits available thereunder without regard to the legal or financial ability or willingness of any Reserve Facility provider to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw).

If, on any Interest Payment Date, the amount on deposit in the Interest Fund is insufficient to pay the interest evidenced by the Certificates payable on such Interest Payment Date, the Trustee shall transfer from the Reserve Fund and deposit in the Interest Fund an amount sufficient to make

up such deficiency. If a Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Requirement, the Trustee shall make a claim for payment under such Reserve Facility, in accordance with the provisions thereof, in an amount which, together with other available moneys in the Reserve Fund, will be sufficient to make said deposit in the Interest Fund.

If, on any Principal Payment Date or Mandatory Sinking Account Payment Date, the amount on deposit in the Principal Fund is insufficient to pay the principal evidenced by the Certificates payable on such Principal Payment Date or Mandatory Sinking Account Payment Date, the Trustee shall transfer from the Reserve Fund and deposit in the Principal Fund an amount sufficient to make up such deficiency. If a Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Requirement, the Trustee shall make a claim for payment under such Reserve Facility, in accordance with the provisions thereof, in an amount which, together with other available moneys in the Reserve Fund, will be sufficient to make said deposit in the Principal Fund.

Moneys, if any, on deposit in the Reserve Fund shall be withdrawn and applied by the Trustee for the final payment of principal and interest evidenced by the Certificates.

(d) In the event of any transfer from the Reserve Fund or the making of any claim under any Reserve Facility, the Trustee shall, within five days thereafter, provide written notice to the District of the amount and the date of such transfer or claim.

(e) To the extent that proceeds of a payment under the Reserve Policy are applied to the payment of interest or principal evidenced by a Certificate, the Reserve Insurer shall become the Owner of such portion of such Certificate and the right to receive payment of such interest or principal and shall be fully subrogated to all of the Owner's rights thereunder to the extent of such payment, including the Owner's rights to payment thereof. To evidence such subrogation (i) in the case of subrogation as to claims for interest, the Trustee shall note the Reserve Insurer's rights as subrogee on the Registration Books, and (ii) in the case of subrogation as to claims for principal, the Trustee shall note the Reserve Insurer's rights as subrogee on the Registration Books upon surrender of the Certificate evidencing such principal by the Owner thereof to the Trustee.

(f) If, as a result of the District's non-payment, when due, of all or a portion of a Base Rental Payment (other than a non-payment caused by an abatement of Rental Payments pursuant to Section 3.06 of the Lease Agreement), a claim has been made under the Reserve Policy and the Reserve Insurer has paid such claim, the first of Base Rental Payments, including the interest component thereof, calculated at the Insurer Rate as provided in Section 3.04 of the Lease Agreement, thereafter received from the District under the Lease Agreement and not needed to pay the principal or interest evidenced by the Certificates on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date shall be paid to the Reserve Insurer, as the Owner of the Certificates (or portions thereof) evidencing such delinquent Base Rental Payment, in repayment of such payment by the Reserve Insurer until such payment is paid in full. If as a result of the District's non-payment of all or a portion of a Base Rental Payment (which non-payment is caused by an abatement of Rental Payments pursuant to Section 3.06 of the Lease Agreement), a claim has been made on the Reserve Policy and the Reserve Insurer has paid such claim, the Reserve Insurer, as the Owner of the Certificates (or portions thereof) evidencing such abated Base Rental Payment, shall be entitled to receive, during the extension of

the term of the Lease Agreement provided for in Section 2.02 of the Lease Agreement, any amounts paid in respect of such abated and unpaid Base Rental Payment pursuant to subsection (b) of Section 3.01 and Section 3.04 of the Lease Agreement. Any such payment by the District pursuant to this Section shall be applied first to the interest component of such delinquent Base Rental Payment due the Reserve Insurer and second to the principal components of such delinquent Base Rental Payment due the Reserve Insurer.

(g) If (i) the sum of the amount on deposit in the Reserve Fund, plus the amount available under all available Reserve Facilities, is less than the Reserve Fund Requirement, (ii) there are no amounts then due to the Reserve Insurer under the Reserve Policy, and (iii) there are no amounts then due to the provider of any other Reserve Facility under such Reserve Facility, the first of Base Rental Payments thereafter received from the District under the Lease Agreement and not needed to pay the principal or interest evidenced by the Certificates on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date shall be used, first, to reinstate the amounts available under the Reserve Facilities that have been drawn upon and, second, to increase the amount on deposit in the Reserve Fund, so that the amount available under the Reserve Facilities, when added to the amount on deposit in the Reserve Fund, shall equal the Reserve Requirement.

(h) If, as a result of the payment of principal or interest evidenced by the Certificates or otherwise, the Reserve Requirement is reduced, amounts on deposit in the Reserve Fund in excess of such reduced Reserve Requirement shall be transferred to the Base Rental Payment Fund.

(i) On any date on which Certificates are defeased in accordance with Section 10.02 hereof, the Trustee shall, if so directed in a Written Request of the District, transfer any moneys in the Reserve Fund in excess of the Reserve Requirement resulting from such defeasance to the entity or fund so specified in such Written Request of the District, to be applied to such defeasance.

**Section 5.06. Rebate Fund.** (a) In addition to the other funds and accounts created pursuant hereto, the Trustee shall establish and maintain the “Rebate Fund.” There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Certificates pursuant to Article X hereof or anything to the contrary contained herein, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this Section and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall have no liability or responsibility to enforce compliance by the District with the terms of the Tax Certificate. The Trustee may conclusively rely upon the District’s determinations, calculations and certifications required by the Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the District’s calculations.

(b) Any funds remaining in the Rebate Fund after payment in full of all of the principal and interest evidenced by the Certificates and after payment of any amounts described in this Section, shall be withdrawn by the Trustee and remitted to the District.

**Section 5.07. Investments.** (a) *General.* Except as otherwise provided herein, all moneys in any of the funds or accounts established pursuant to this Trust Agreement and held by the Trustee shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the District two Business Days prior to the making of such investment. Moneys in all funds and accounts held by the Trustee shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in this Trust Agreement; provided, however, that Permitted Investments in which moneys in the Reserve Fund are so invested shall mature no later than the earlier of five years from the date of investment or the final stated Principal Payment Date of the Certificates; provided, further, that if such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date, any amount in the Reserve Fund may be invested in such redeemable Permitted Investments maturing on any date on or prior to the final stated Principal Payment Date of the Certificates. Absent timely written direction from the District, the Trustee shall invest any funds held by it in Permitted Investments described in clause (h) of the definition thereof (provided that the District has selected a specific money market fund under clause (h)). If the District has not selected a specific money market fund, the funds shall be held uninvested.

(b) *Role and Responsibilities of the Trustee.* The Trustee or an affiliate thereof may act as principal or agent in the acquisition or disposition of any such Permitted Investment and shall be entitled to a customary and reasonable fee therefor. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with this Trust Agreement. The Trustee shall sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for redemption.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur at no additional cost, the District will not receive such confirmation to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder. The Trustee may make any investments hereunder through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manage in connection with any investments made by the Trustee hereunder.

(c) *Valuation.* Investments (except investment agreements) in any fund or account established hereunder shall be valued, exclusive of accrued interest, (i) not less often than semi-annually no later than April 15 and October 15 or more frequently if deemed necessary by the Insurer but not more often than monthly, and (ii) upon any draw upon the Reserve Fund. All investments of amounts deposited in any fund or account established hereunder shall be valued at the market value thereof. In making any valuations of investments hereunder, the Trustee may utilize and rely on computerized securities pricing services that may be available to the Trustee, including those available through the Trustee accounting system.

(d) *Earnings.* Subject to the provisions of Section 5.06 hereof, any interest or profits received with respect to investments held in any of the funds or accounts established hereunder

(other than the Reserve Fund) shall be retained therein. Subject to the provisions of Section 5.06 hereof, any interest or profits received with respect to investments held in the Reserve Fund shall, prior to the date on which a Written Certificate of the District is filed with the Trustee pursuant to Section 3.04(c), to be transferred to the Acquisition Fund and, thereafter, be transferred to the Base Rental Payment Fund. Notwithstanding the foregoing, any such transfer shall be made from the Reserve Fund only if and to the extent that, after such transfer, the amount on deposit in the Reserve Fund, together with amounts available to be drawn on all Reserve Facilities, if any, available therein, is at least equal to the Reserve Requirement.

## ARTICLE VI

### COVENANTS

**Section 6.01. Compliance with Trust Agreement.** The Trustee will execute and deliver the Certificates only in accordance with the provisions hereof, and each of the Corporation and the District shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in this Trust Agreement required to be complied with, kept, observed and performed by it.

**Section 6.02. Compliance with Ground Lease and Lease Agreement.** Each of the Corporation and the District shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Ground Lease and the Lease Agreement required to be complied with, kept, observed and performed by it and, together with the Trustee, shall enforce the Ground Lease and the Lease Agreement against the other party thereto in accordance with their respective terms.

**Section 6.03. Observance of Laws and Regulations.** The Corporation, the District and the Trustee shall faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

**Section 6.04. Other Liens.** The District will keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, other than Permitted Encumbrances, and free from any claim or liability which materially impairs the District in conducting its business or utilizing the Property, and the Trustee at its option (after first giving the District ten days' written notice to comply therewith and failure of the District to so comply within such ten-day period) may defend against any and all actions or proceedings, or may pay or, with the written consent of the Insurer, compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the District from liability for or on account of any of its agreements and covenants contained herein, or from its obligation hereunder to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

So long as any Certificates are Outstanding, neither the Trustee or the District shall create or suffer to be created any pledge of or lien on the amounts on deposit in any of the funds or accounts created hereunder, other than the pledge and lien hereof.

The Trustee shall not encumber the Property other than in accordance with the Ground Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement.

**Section 6.05. Prosecution and Defense of Suits.** The District shall promptly, upon request of the Trustee, the Insurer or any Owner, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Property or any part thereof, whether now existing or hereafter developing, shall prosecute all actions, suits or other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee, the Insurer and every Owner harmless from all cost, damage, expense or loss, including attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

**Section 6.06. Recordation.** The District will record, or cause to be recorded, with the appropriate county recorder, the Lease Agreement, the Ground Lease and the Assignment Agreement, or memoranda thereof.

**Section 6.07. Tax Covenants.** (a) The District shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest evidenced by the Certificates under Section 103 of the Code. Without limiting the generality of the foregoing, the District will comply with the requirements of the Tax Certificate, which is incorporated herein as if fully set forth herein. This covenant shall survive payment in full or defeasance of the Certificates.

(b) In the event that at any time the District is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established hereunder, the District shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of this Section, if the District shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest evidenced by the Certificates, the Trustee may conclusively rely on such opinion in complying with the requirements of this Section and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

**Section 6.08. Continuing Disclosure.** The District shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate applicable to it. Notwithstanding any other provision of this Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not constitute an event of default hereunder; provided, however, that the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% of the aggregate amount of principal evidenced by Outstanding Certificates and upon being indemnified to its reasonable satisfaction, shall) or any Owner or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

**Section 6.09. Further Assurances.** Whenever and so often as requested to do so by the Trustee, the Insurer or any Owner, the Corporation and the District will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be

necessary or reasonably required in order to further and more fully vest in the Trustee, the Insurer and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them hereby or by the Assignment Agreement, the Ground Lease or the Lease Agreement.

## ARTICLE VII

### DEFAULT AND LIMITATIONS OF LIABILITY

**Section 7.01. Action on Default.** If an event of default (within the meaning of Article VI of the Lease Agreement) shall happen, then such event of default shall constitute an event of default hereunder. The Trustee, as assignee of the Corporation, may give notice of an event of default under the Lease Agreement to the District, and shall do so if directed in writing to do so by the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) or the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding. In each and every case during the continuance of an event of default, the Trustee (a) may, with the prior written consent of the Insurer, at the direction of the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding, and (b) shall, upon being indemnified to its reasonable satisfaction, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, at the direction of the Insurer, upon notice in writing to the District and the Corporation, exercise any of the remedies granted to the Corporation under the Lease Agreement and, in addition, with the written consent or at the written direction of the Insurer, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by this Trust Agreement or by the Certificates, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in Section 7.02 hereof.

**Section 7.02. Other Remedies of the Trustee.** Subject to the provisions of Section 7.01 hereof, the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any member, director, officer or employee thereof, and to compel the District or any such member, director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained herein;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee or the Owners; or

(c) by suit in equity upon the happening of any event of default hereunder to require the District to account as the trustee of an express trust.

**Section 7.03. Non-Waiver.** So long as the Insurer is not in default in its payment obligations under the Insurance Policy, the Trustee shall not waive any default or breach of duty or contract hereunder without the prior written consent of the Insurer. A waiver of any default or breach of duty or contract by the Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every

right or remedy conferred upon the Trustee by law or by this Article may be enforced and exercised from time to time and as often the Trustee shall deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Insurer or any Owner, then subject to any adverse determination, the Trustee, the Insurer, such Owner, the Corporation and the District shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

**Section 7.04. Remedies Not Exclusive.** Subject to the provisions of Section 7.01 hereof, no remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

**Section 7.05. No Liability by the Corporation to the Owners.** The Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Lease Agreement, the Ground Lease or herein, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

**Section 7.06. No Liability by the District to the Owners.** Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Lease Agreement, the Ground Lease or herein, the District shall not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery or transfer of the Certificates or the disbursement of the Base Rental Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

**Section 7.07. No Liability of the Trustee to the Owners.** Except as expressly provided herein, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the District, or with respect to the performance by the Corporation or the District of the other agreements and covenants required to be performed by them, respectively, contained in the Lease Agreement, the Ground Lease or herein.

**Section 7.08. Application of Amounts After Default.** All payments received by the Trustee with respect to the rental of the Property after a default by the District pursuant to Article VI of the Lease Agreement (including, without limitation, any proceeds received in connection with the sale, assignment or sublease of the Corporation's right, title and interest in the Ground Lease), and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under Article VI of the Lease Agreement, shall be deposited into the Base Rental Payment Fund and as soon as practicable thereafter applied:

- (a) to the payment of all amounts due the Trustee under Section 8.07 hereof;

(b) to the payment of all amounts then due for interest evidenced by the Certificates, in respect of which, or for the benefit of which, money has been collected (other than Certificates which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of interest evidenced by such Certificates due and payable;

(c) to the payment of all amounts then due for principal evidenced by the Certificates, in respect of which, or for the benefit of which, money has been collected (other than Certificates which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal evidenced by such Certificates due and payable; and

(d) to the extent not included in clause (b) or clause (c) above, to the payment of all amounts then due hereunder to the Insurer.

**Section 7.09. Trustee May Enforce Claims Without Possession of Certificates.** All rights of action and claims under this Trust Agreement or the Certificates may be prosecuted and enforced by the Trustee without the possession of any of the Certificates or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Certificates in respect of which such judgment has been recovered.

**Section 7.10. Limitation on Suits.** No Owner of any Certificate shall have any right to institute any proceeding, judicial or otherwise, with respect to this Trust Agreement, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (a) such Owner shall have previously given written notice to the Trustee of a continuing event of default, (b) so long as the Insurer is not in default in its payment obligations under the Insurance Policy, such Owner shall have obtained the Insurer's consent to such institution or appointment, (c) the Owners of not less than 25% of the aggregate amount of principal evidenced by Certificates then Outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee hereunder, (d) such Owner or Owners shall have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, (e) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceedings, and (f) no direction inconsistent with such written request shall have been given to the Trustee during such 60 day period by the Owners of a majority of the aggregate amount of principal evidenced by Certificates then Outstanding; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Trust Agreement to affect, disturb or prejudice the rights of any other Owner of Certificates, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under this Trust Agreement, except in the manner herein provided and for the equal and ratable benefit of all the Owners of Certificates.

## ARTICLE VIII

### THE TRUSTEE

**Section 8.01. Duties and Liabilities of Trustee.** The Trustee shall, prior to an event of default, and after the curing or waiver of all events of default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Trust Agreement. The Trustee shall, during the existence of any event of default which has not been cured or waived, exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

**Section 8.02. Qualifications; Removal and Resignation; Successors.** (a) The Trustee initially a party hereto and any successor thereto shall at all times be a trust company, national banking association or bank having trust powers in good standing in or incorporated under the laws of the United States or any state thereof, having (or if such trust company, national banking association or bank is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least \$250,000,000, and subject to supervision or examination by a federal or state agency. If such trust company, national banking association or bank publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection the combined capital and surplus of such trust company, national banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The District may, by an instrument in writing, upon at least 30 days' notice to the Trustee, remove the Trustee initially a party hereto and any successor thereto unless an event of default shall have occurred and then be continuing, and shall remove the Trustee initially a party hereto and any successor thereto if at any time (i) requested to do so by the Insurer (as long as the Insurer is not in default in its payment obligations under the Insurance Policy) or by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority of the aggregate amount of principal evidenced by the Certificates at the time Outstanding (or their attorneys duly authorized in writing), or (ii) the Trustee shall cease to be eligible in accordance with subsection (a) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee.

(c) The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the District and the Insurer, and to the Owners at the respective addresses shown on the Registration Books. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of subsection (a) of this Section, the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(d) Upon removal or resignation of the Trustee, the District shall promptly appoint a successor Trustee by an instrument in writing, which appointment shall be subject to the prior

written approval of the Insurer. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, however, that any successor Trustee shall be qualified as provided in subsection (a) of this Section. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following notice of removal or notice of resignation as aforesaid, the removed or resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the District, the Corporation and its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the written request of the District, the Corporation or the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the successor Trustee shall, within 15 days after such acceptance, mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to the Owners at the addresses shown on the Registration Books.

(e) Any trust company, national banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated or any trust company, national banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, national banking association or bank to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such trust company, national banking association or bank shall be eligible under subsection (a) of this Section, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

**Section 8.03. Liabilities of the Trustee.** (a) The recitals of facts herein shall be taken as statements of the District, and the Trustee shall not assume responsibility for the correctness of the same. The Trustee shall, however, be responsible for its representations contained in the Certificates.

(b) The Trustee makes no representations as to the validity or sufficiency of this Trust Agreement, the Lease Agreement, or of the assignment made to it by the Assignment Agreement, or in respect of the security afforded by this Trust Agreement, and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to (i) the delivery of the Certificates for value, (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee, or (iii) the application of any moneys paid to the District or others in accordance with this Trust Agreement, except as to the application of any moneys paid to it in its capacity as Trustee.

(c) The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. In no event shall the Trustee be liable for any special indirect or consequential damages.

(d) No provision of this Trust Agreement or any other document related hereto shall require the Trustee to risk or advance its own funds.

(e) The Trustee may execute any of its powers or duties hereunder through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

(f) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(g) The immunities and protections extended to the Trustee also extend to its directors, officers, employees and agents.

(h) Before taking action under Article VII, under this Article or upon the direction of the Owners, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to protect it against all fees and expenses, including those of its attorneys and advisors, and protect it against all liability it may incur.

(i) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate amount of principal evidenced by the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Trust Agreement.

(j) The Trustee may become the Owner of Certificates with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in aggregate amount of principal evidenced by the Certificates then Outstanding.

(k) The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates.

(l) The Trustee shall not be liable for the failure to take any action required to be taken by it hereunder if and to the extent that the Trustee's taking such action is prevented by reason of an act of God, terrorism, war, riot, strike, fire, flood, earthquake, epidemic or other, similar occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care.

(m) The Trustee shall not be deemed to have knowledge of an event of default hereunder unless it has actual knowledge thereof.

(n) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

(o) The Trustee shall not be responsible for or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(p) The Trustee may rely conclusively upon the investment direction of the District as to the suitability and legality of the directed investments.

(q) The Trustee shall have no duty to review, verify or analyze any financial statements furnished to it by the District, and shall hold such financial statements solely as a repository for the Owners. The Trustee shall not be deemed to have notice of any information contained therein or any default or event of default that may be disclosed therein in any manner.

**Section 8.04. Right to Rely on Documents and Opinions.** (a) The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Whenever in the administration of the duties imposed upon it by this Trust Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the District, and such Written Certificate of the District shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Trust Agreement in reliance upon such Written Certificate of the District, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(c) The Trustee may consult with counsel, who may be counsel to the District or the Corporation, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(d) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Trust Agreement and delivered using Electronic Means (“Electronic Means” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions and containing specimen signatures of such Authorized District Representatives, which incumbency certificate shall be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such

Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized District Representative listed on the incumbency certificate provided to the Trustee have been sent by such Authorized District Representative. The District shall be responsible for ensuring that only Authorized District Representatives transmit such Instructions to the Trustee and that the District and all Authorized District Representatives are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

**Section 8.05. Accounting Records and Financial Statements.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with prudent corporate trust industry standards, in which accurate entries shall be made of all transactions made by it relating to the proceeds of the Certificates, the Base Rental Payments received by it and all funds and accounts established by it pursuant to this Trust Agreement. Such books of record and account shall be available for inspection by the District, the Corporation and the Insurer during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee. The Trustee shall deliver to the District a monthly accounting of the funds and accounts it holds under this Trust Agreement; provided, however, that the Trustee shall not be obligated to deliver an accounting for any fund or account that (a) has a balance of zero, and (b) has not had any activity since the last reporting date.

**Section 8.06. Preservation and Inspection of Documents.** All documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject during business hours and upon reasonable notice to the inspection of the District, the Corporation, the Owners and their agents and representatives duly authorized in writing.

**Section 8.07. Compensation and Indemnification.** The District shall pay to the Trustee from time to time all reasonable compensation pursuant to a pre-approved fee letter for all services rendered under this Trust Agreement, and also all reasonable expenses, charges, legal and consulting fees pursuant to a pre-approved fee letter and other disbursements pursuant to a pre-approved fee letter and those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Trust Agreement. The District shall, to the extent permitted by law, indemnify and save the Trustee harmless against any costs, claims, expenses (including fees and expenses of its counsel), and liabilities which it may incur in the exercise and

performance of its powers and duties hereunder, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct. The duty of the District to the Trustee under this Section 8.07 shall survive the resignation or removal of the Trustee and the termination and discharge of this Trust Agreement.

## ARTICLE IX

### AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT

**Section 9.01. Amendment or Supplement.** (a) This Trust Agreement and the rights and obligations of the District, the Corporation, if any, the Owners and the Trustee hereunder may be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding when the prior written consents of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) and the Owners of a majority of the aggregate amount of principal evidenced by the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 9.02 hereof, are filed with the Trustee. No such amendment or supplement shall (i) extend the stated Principal Payment Date of any Certificate or reduce the rate of interest applicable to the interest evidenced thereby or extend the time of payment of such interest or reduce the amount of principal evidenced thereby or reduce the amount of any Mandatory Sinking Account Payment or change the prepayment terms and provisions or the provisions regarding delivery of notice of prepayment without the prior written consent of the Owner of each Certificate so affected and the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy), (ii) permit any pledge of, or the creation of any lien on, security interest in or charge or other encumbrance upon the assets pledged under this Trust Agreement prior to or on a parity with the pledge contained in, and the lien and security interest created by, this Trust Agreement or deprive the Owners of the pledge contained in, and the lien and security interest created by, this Trust Agreement, except as expressly provided in this Trust Agreement, without the consent of the Owners of all of the Certificates then Outstanding and the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy), (iii) modify any of the rights or obligations of the Trustee without the prior written consent of the Trustee, or (iv) amend this Section without the prior written consent of the Owners of all Certificates then Outstanding and the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy).

(b) This Trust Agreement and the rights and obligations of the District, the Corporation, if any, the Owners and the Trustee hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution, with the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy), but without the written consents of any Owners and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the District to be observed or performed herein other agreements, conditions, covenants and terms thereafter to be observed or performed by the District, or to surrender any right or power reserved herein to or conferred herein on the District;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the District may deem desirable or necessary and not inconsistent herewith;

(iii) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest evidenced by the Certificates; or

(iv) for any other reason, provided such amendment or supplement does not adversely affect the rights or interests of the Owners; provided, however, that the District and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Counsel stating that the requirements of this paragraph have been met with respect to such amendment or supplement.

The Trustee is not obligated to enter into any amendment or supplement that adversely affects the rights or obligations of the Trustee.

The Insurer shall be provided with a full original transcript of all proceedings relating to the amendment of or supplement to this Trust Agreement pursuant to this Section.

**Section 9.02. Disqualified Certificates.** Certificates owned or held by or for the account of the District (but excluding Certificates held in any pension or retirement fund of the District) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates provided in this Article, and shall not be entitled to consent to or take any other action provided in this Article, and the Trustee may adopt appropriate regulations to require each Owner, before its consent provided for herein shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in this Section.

**Section 9.03. Endorsement or Replacement of Certificates After Amendment or Supplement.** After the effective date of any action taken as hereinabove provided in this Article, the District may determine that the Certificates may bear a notation by endorsement in form approved by the District as to such action, and in that case upon demand of the Owner of any Outstanding Certificate and presentation of such Certificate for such purpose at the Principal Office of the Trustee a suitable notation as to such action shall be made on such Certificate. If the Trustee shall receive an Opinion of Counsel advising that new Certificates modified to conform to such action are necessary, modified Certificates shall be prepared, and in that case upon demand of the Owner of any Outstanding Certificates such new Certificates shall be exchanged at the Principal Office of the Trustee without cost to each Owner for Certificates then Outstanding upon surrender of such Outstanding Certificates.

**Section 9.04. Amendment by Mutual Consent.** Subject to the receipt of the prior written consent of the Insurer as provided in Section 9.01 hereof, the provisions of this Article shall not prevent any Owner from accepting any amendment as to the particular Certificates owned by such Owner, provided that due notation thereof is made on such Certificates.

## ARTICLE X

### DEFEASANCE

**Section 10.01. Discharge of Trust Agreement.** (a) If there shall be paid (i) to the Owners of all Outstanding Certificates the principal, interest and premium, if any, evidenced thereby at the times and in the manner stipulated herein and therein, and (ii) all other amounts due hereunder and under the Lease Agreement, then the Owners shall cease to be entitled to the pledge of the assets provided for herein, and all agreements, covenants and other obligations of the Corporation and the District hereunder shall thereupon cease, terminate and become void and this Trust Agreement shall be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Corporation and the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the District all money or securities held by it pursuant hereto which are not required for the payment of the principal, interest and premium, if any, evidenced by the Certificates.

(b) Subject to the provisions of subsection (a) of this Section, when any Certificate shall have been paid and if, at the time of such payment, each of the Corporation and the District shall have kept, performed and observed all of the covenants and promises in this Trust Agreement and the Lease Agreement required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then this Trust Agreement shall be considered to have been discharged in respect of such Certificate and such Certificate shall cease to be entitled to the pledge of the assets provided herein, and all agreements, covenants and other obligations of the Corporation and the District hereunder shall cease, terminate, become void and be completely discharged and satisfied as to such Certificate.

(c) Notwithstanding the discharge and satisfaction of this Trust Agreement or the discharge and satisfaction of this Trust Agreement in respect of any Certificate, those provisions of this Trust Agreement relating to the payment of the principal, interest and premium, if any, evidenced by Certificates, exchange and transfer of Certificates, replacement of mutilated, destroyed, lost or stolen Certificates, the safekeeping and cancellation of Certificates, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owners of such Certificate, and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal, interest and premium, if any, evidenced by such Certificate, and to pay to the Owner of such Certificate the funds so held by the Trustee as and when such payment becomes due.

**Section 10.02. Certificates Deemed To Have Been Paid.** (a) If moneys shall have been set aside and held by the Trustee for the payment or prepayment of the principal evidenced by any Certificate and the payment of the interest evidenced thereby to the stated Principal Payment Date or prepayment date thereof, such Certificate shall be deemed to have been paid within the meaning and with the effect provided in Section 10.01 hereof. Any Outstanding Certificate shall prior to its stated Principal Payment Date or the prepayment date thereof be deemed to have been paid within the meaning of and with the effect expressed in Section 10.01 hereof if (i) in case any of such Certificates is to be prepaid on any date prior to its stated Principal Payment Date, the District shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of Section 4.03 hereof, notice of prepayment of such Certificate on

said prepayment date, said notice to be given in accordance with Section 4.03 hereof, (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient, or (B) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the interest evidenced by such Certificate to become due on and prior to its stated Principal Payment Date or the prepayment date thereof, as the case may be, and the principal and premium, if any, evidenced by such Certificate, and (iii) in the event such Certificate is not by its terms subject to prepayment within the next succeeding 60 days, the District shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owner of such Certificate that the deposit required by clause (ii) above has been made with the Trustee and that such Certificate is deemed to have been paid in accordance with this Section and stating stated Principal Payment Date or prepayment date upon which money is to be available for the payment of the principal and premium, if any, evidenced by such Certificate.

(b) No Certificate shall be deemed to have been paid pursuant to clause (ii) of subsection (a) of this Section unless (i) all amounts currently due to the Insurer under the Insurance Policy and to the Reserve Insurer under the Reserve Policy shall have been paid in full, and (ii) the District shall have caused to be delivered to the District and the Trustee (A) an executed copy of a Verification Report with respect to such deemed payment, addressed to the District, the Insurer and the Trustee, in form and in substance acceptable to the District, the Insurer and the Trustee, (B) a copy of the escrow agreement entered into in connection with the deposit pursuant to clause (ii)(B) of subsection (a) of this Section resulting in such deemed payment, which escrow agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification Report and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, in form and substance acceptable to the Insurer, and (C) a copy of an Opinion of Counsel, dated the date of such deemed payment and addressed to the District, the Insurer and the Trustee, in form and in substance acceptable to the District, the Insurer and the Trustee, to the effect that such Certificate has been paid within the meaning and with the effect expressed in this Trust Agreement, this Trust Agreement has been discharged in respect of such Certificate and all agreements, covenants and other obligations of the District and the Corporation hereunder as to such Certificate have ceased, terminated, become void and been completely discharged and satisfied. In the event a forward purchase agreement is to be employed in connection with the Defeasance Securities purchased to defease Certificates, such agreement shall be subject to the approval of the Insurer and shall be accompanied by such opinions of counsel as may be required by the Insurer. The Insurer shall be provided with final drafts of the above-referenced documentation not less than five (5) Business Days prior to the funding of the escrow.

**Section 10.03. Unclaimed Moneys.** Subject to the escheat laws of the State, any moneys held by the Trustee in trust for the payment and discharge of the interest or principal evidenced by any of the Certificates which remain unclaimed for two years after the date when such interest or principal evidenced by such Certificates have become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the interest and principal evidenced by such Certificates have become payable, shall, at the Written Request of the District be repaid by the Trustee to the District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with

respect thereto and the Owners shall look only to the District for the payment of the interest and principal evidenced by such Certificates.

## ARTICLE XI

### INSURANCE POLICY AND RESERVE POLICY PROVISIONS

**Section 11.01. Insurer To Be Deemed Owner; Rights of the Insurer; Payments by the Insurer; Notices.** The provisions of this Article XI shall apply notwithstanding any other provision of this Trust Agreement to the contrary so long as the Insurer is not in default in its payment obligations under the Insurance Policy.

(a) The Insurer shall at all times be deemed the sole and exclusive Owner of the Outstanding Certificates for the purposes of all approvals, consents, waivers, institution of any action, and the direction of all remedies, including but not limited to approval of or consent to any amendment of or supplement to this Trust Agreement which requires the consent or approval of the Owners of a majority of the aggregate principal evidenced by the Certificates then Outstanding pursuant to this Trust Agreement; provided, however, that the Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding Certificates with respect to any amendment or supplement to this Trust Agreement which seeks to amend or supplement this Trust Agreement for the purposes set forth in clauses (i), (ii) or (iv) of subsection (a) of Section 9.01 hereof, and provided further that the Insurer shall not be deemed the sole and exclusive Owner of the Outstanding Certificates with respect to any amendment or supplement to this Trust Agreement, and shall not have the right to direct or consent to District, Corporation, Trustee or Owner action as provided herein, if:

(i) the Insurer shall be in payment default under the Insurance Policy and such failure shall continue for three Business Days;

(ii) any material provision of the Insurance Policy shall be held to be invalid by a final, non-appealable order of a court of competent jurisdiction, or the validity or enforceability thereof shall be contested in writing by the Insurer; or

(iii) a proceeding shall have been instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect of the Insurer under Article 16 of the Insurance Law of the State of New York or any successor provision thereto and such proceeding is not terminated for a period of 90 consecutive days or such court enters an order granting the relief sought in such proceeding.

(b) To the extent that the Insurer makes payment of any interest or principal evidenced by a Certificate, it shall become the Owner of such portion of such Certificate and the right to receive payment of such interest or principal and shall be fully subrogated to all of the Owner's rights thereunder in accordance with the terms of the Insurance Policy to the extent of such payment, including the Owner's rights to payment thereof (which subrogation rights shall include the rights of any such Owner in connection with any Insolvency Proceeding). To evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Insurer's rights as subrogee on the Registration Books upon receipt of proof from the Insurer as to payment of such interest to the Owner of the Certificate evidencing such interest, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Insurer's rights

as subrogee on the Registration Books upon surrender of the Certificate evidencing such principal by the Owner thereof to the Trustee.

(c) In the event that the interest or principal evidenced by a Certificate shall be paid by the Insurer pursuant to the terms of the Insurance Policy, (i) such Certificate shall continue to be Outstanding under this Trust Agreement, (ii) the pledge of the amounts on deposit in the funds and accounts established hereunder and all covenants, agreements and other obligations of the District hereunder and under the Lease Agreement shall continue to exist, (iii) the Insurer shall be fully subrogated to all of the rights of such Owner in accordance with the terms and conditions of subsection (b) of this Section and the Insurance Policy, and (iv) neither this Trust Agreement nor the Lease Agreement shall be discharged unless and until all amounts due to the Insurer have been paid in full.

(d) If an event of default (within the meaning of Article VI of the Lease Agreement) shall have occurred and be continuing, the Insurer may, regardless of whether a claim has been made under the Insurance Policy, at any time and at its sole option, pay to the Owners all or any portion of the interest or principal evidenced by the Certificates (at a price equal to 100% of the principal evidenced by the Certificates so purchased) prior to the stated Principal Payment Dates thereof; provided, however, that such payment by the Insurer shall not accelerate the District's obligation to make Rental Payments under the Lease Agreement. The Trustee shall accept such payments on behalf of the Owners and the Insurer's obligations under the Insurance Policy shall be discharged to the extent of such payments.

(e) The Insurer shall be notified (i) by the District at least 30 days (or such lesser time as agreed by the Insurer) in advance of the execution of any amendment of or supplement to this Trust Agreement and of any amendment to the Lease Agreement or the Ground Lease in the event consent of the Owners is not required for such amendment or supplement, (ii) by the Trustee within five (5) Insurance Business Days of the Trustee's having knowledge of the occurrence of any event of default (within the meaning of Article VI of the Lease Agreement), and (iii) by the Trustee of any prepayment of Certificates (including the principal evidenced by, and the CUSIP numbers of, such Certificates to be prepaid) at the same time that the Owners of the Certificates to be prepaid are notified. In addition, all notices, reports, certificates and opinions (i) to be delivered to or by the Trustee or to the Owners or available at the request of the Owners pursuant to this Trust Agreement, or (ii) to be delivered by the District pursuant to the Lease Agreement or the Assignment Agreement shall also be delivered to the Insurer.

(f) The Trustee shall also notify the Insurer (i) immediately, upon the withdrawal of amounts on deposit in the Reserve Fund, other than amounts comprising investment earnings thereon which may be withdrawn in accordance with the terms of this Trust Agreement, upon a claim being made under any Reserve Facility or upon the determination that a deficiency in the Reserve Fund exists as a result of fluctuations in the market value of investments held therein, and (ii) immediately upon the resignation or removal of the Trustee or the appointment of a successor Trustee.

(g) No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Certificates may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

(h) Subject to and conditioned upon payment of any interest or principal evidenced by the Certificates by or on behalf of the Insurer, each Owner, by its purchase of Certificates, hereby assigns to the Insurer, but only to the extent of all payments made by the Insurer, all rights to the payment of interest or principal evidenced by the Certificates, including, without limitation, any amounts due to the Owners in respect of securities law violations arising from the offer and sale of the Certificates, which are then due for payment. The Insurer may exercise any option, vote, right, power or the like with respect to Certificates to the extent it has made a payment of principal evidenced by Certificates pursuant to the Insurance Policy. The foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to the Insurer in respect of such payments. The Trustee shall take such action and deliver such instruments as may be reasonably requested or required by the Insurer to effectuate the purpose or provisions of this subsection.

(i) The Insurer shall have the right to advance any payment required to be made by the District in order to prevent an event of default under this Trust Agreement and the Trustee shall be required to accept such advance. The District shall, upon demand, reimburse the Insurer for any such advance.

(j) The rights granted under this Trust Agreement, the Lease Agreement or the Ground Lease to the Insurer to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit of or on behalf of the Owners, nor does such action evidence any position of the Insurer, positive or negative, as to whether Owner consent is required in addition to consent of the Insurer.

(k) The District hereby agrees, to the extent permitted by law, to pay or reimburse the Insurer any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in this Trust Agreement, the Lease Agreement, the Ground Lease or the Assignment Agreement, (ii) the pursuit of any remedies under this Trust Agreement, the Lease Agreement, the Ground Lease or the Assignment Agreement, or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, this Trust Agreement, the Lease Agreement, the Ground Lease or the Assignment Agreement whether or not executed or completed, or (iv) any litigation or other dispute in connection with this Trust Agreement, the Lease Agreement, the Ground Lease or the Assignment Agreement, or the transactions contemplated hereby or thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this Trust Agreement, the Lease Agreement, the Ground Lease or the Assignment Agreement.

(l) The Insurer shall be entitled to pay principal or interest evidenced by the Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the District (as such terms are defined in the Insurance Policy) thereof in accordance with this Trust Agreement, whether or not the Insurer has received a Notice (as defined in the Insurance Policy) of Nonpayment or a claim upon the Insurance Policy.

(m) The Trustee shall promptly notify the Insurer of either of the following as to which it has actual knowledge: (i) the commencement of any proceeding by or against the District or the Corporation commenced under the United States Bankruptcy Code or any successor statute or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”), and (ii) the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer (a “Preference Claim”) of any payment of interest or principal evidenced by the Certificates. Each Owner, by its purchase of Certificates, and the Trustee hereby agrees that the Insurer may at any time during the continuation of an Insolvency Proceeding direct all matters relating to such Insolvency Proceeding, including, without limitation, (i) all matters relating to any Insolvency Proceeding or Preference Claim, (ii) the direction of any appeal of any order relating to any Insolvency Proceeding or Preference Claim, (iii) the posting of any surety, supersedes or performance bond pending any such appeal, and (iv) to accept or reject any plan of adjustment. In addition, each Owner delegates and assigns to the Insurer to the fullest extent permitted by law, the rights of each Owner in the conduct of any Insolvency Proceeding, including, without limitation, any rights of any party to an adversary proceeding action with respect to any court order issued in connection with any such Insolvency Proceedings. The Trustee acknowledges such appointment, delegation and assignment by each Owner for the Insurer’s benefit, and agrees to cooperate with the Insurer in taking any action reasonably necessary or appropriate in connection with such appointment, delegation and assignment.

(n) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under this Trust Agreement would adversely affect the security for the Certificates or the rights of the Owners, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

(o) Any reorganization or liquidation plan with respect to the District must be acceptable to the Insurer. In the event of any such reorganization or liquidation, the Insurer shall have the right to vote on behalf of all Owners (so long as the Insurer is not in default in its payment obligations under the Insurance Policy).

(p) The District will permit the Insurer to discuss the affairs, finances and accounts of the District or any information the Insurer may reasonably request regarding the security for the Certificates with appropriate officers of the District and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the District on any Business Day upon reasonable prior notice.

(q) The obligations set forth in subsections (k) and (m) of this Section shall survive discharge or termination of this Trust Agreement and the Lease Agreement.

**Section 11.02. Deposits to Policy Payments Account; Payments Under the Insurance Policy.** (a) So long as the Insurance Policy shall be in full force and effect, the District and the Trustee hereby agree to comply with the provisions of this Section.

(b) If, on the third Insurance Business Day prior to a Principal Payment Date, Mandatory Sinking Account Payment Date or Interest Payment Date there is not on deposit with the Trustee, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the interest or principal evidenced by the Certificates due on such Principal

Payment Date, Mandatory Sinking Account Payment Date or Interest Payment Date, the Trustee shall give notice to the Insurer and to the Insurer's Fiscal Agent (if any) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Insurance Business Day. If, on the second Insurance Business Day prior to such Principal Payment Date, Mandatory Sinking Account Payment Date or Interest Payment Date, there continues to be a deficiency in the amount available to pay the interest or principal evidenced by the Certificates due on such Principal Payment Date, Mandatory Sinking Account Payment Date or Interest Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay the interest evidenced by the Certificates and the amount required to pay principal evidenced by the Certificates, confirmed in writing to the Insurer and the Insurer's Fiscal Agent (if any) by 12:00 noon, New York City time, on such second Insurance Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

(c) The Trustee shall designate any portion of principal evidenced by Certificates paid by the Insurer, whether by virtue of Mandatory Sinking Account Payment, the stated Principal Payment Date or the Insurer's election to pay said amounts prior to the stated Principal Payment Date pursuant to subsection (e) of Section 11.01 hereof, on its books as a reduction in the principal evidenced by Certificates registered to the then current Owners, whether DTC or its nominee or otherwise, and shall issue a replacement Certificate to the Insurer, registered in the name of [\_\_\_\_], evidencing principal in an amount equal to the principal so paid (without regard to Authorized Denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Certificate shall have no effect on the amount of principal or interest evidenced by any Certificate payable by the District or the subrogation rights of the Insurer.

(d) The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of the interest and principal evidenced by any Certificate. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Owners known as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of Owners and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners in the same manner as payments of interest and principal evidenced by the Certificates are to be made with respect to the Certificates under the provisions hereof. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to make payments of interest and principal with other funds available to make such payments.

If, as a result of the District's non-payment, when due, of all or a portion of a Base Rental Payment (other than a non-payment caused by an abatement of Rental Payments pursuant to Section 3.06 of the Lease Agreement), the Insurer has paid interest or principal evidenced by the Certificates pursuant to the Insurance Policy, (i) the first of Base Rental Payments thereafter

received from the District under the Lease Agreement that are not required to be paid to the Reserve Insurer pursuant to subsection (f) of Section 5.05 hereof, and (ii) the interest payable with respect to such delinquent Base Rental Payments, calculated at the Insurer Rate as provided in Section 3.04 of the Lease Agreement, shall be paid to the Insurer, as the Owner of the Certificates (or portions thereof) evidencing such delinquent Base Rental Payment in repayment of such payment by the Insurer until such payment is paid in full. If, as a result of the District's non-payment of all or a portion of a Base Rental Payment (which non-payment is caused by an abatement of Rental Payments pursuant to Section 3.06 of the Lease Agreement), the Insurer has paid interest or principal evidenced by the Certificates pursuant to the Insurance Policy, the Insurer, as the Owner of the Certificates (or portions thereof) representing such abated Base Rental Payment, shall be entitled to receive, during the extension of the term of the Lease Agreement provided for in Section 2.02 of the Lease Agreement, any amounts paid in respect of such abated and unpaid Base Rental Payment pursuant to subsection (b) of Section 3.01 and Section 3.04 of the Lease Agreement that are not required to be paid to the Reserve Insurer pursuant to subsection (f) of Section 5.05 hereof. Any such payment by the District pursuant to this Section shall be applied first to the interest component of such delinquent Base Rental Payment due the Insurer and second to the principal components of such delinquent Base Rental Payment due the Insurer.

(e) Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Principal Payment Date, Mandatory Sinking Account Payment Date or Interest Payment Date shall promptly be remitted to the Insurer.

**Section 11.03. Reporting Requirements.** (a) The District shall provide to the Insurer (i) within 180 days after the end of each fiscal year of the District, a Written Certificate of the District certifying that the District is not aware of any event of default or of any default hereunder or under the Lease Agreement, (ii) within 180 days after the end of each fiscal year of the District, audited financial statements for such fiscal year, (iii) within 30 days after the approval thereof, each annual budget of the District, and, (iv) from time to time, such other information, data or reports as the Insurer may reasonably request.

(b) The Trustee shall provide the Insurer with notice of any default hereunder or under the Lease Agreement within five Business Days of obtaining knowledge thereof. The District shall provide the Insurer with notice of any default hereunder or under the Lease Agreement within five Business Days of obtaining knowledge thereof.

(c) The District shall provide the Insurer with prior notice of the advance refunding or prepayment of any of the Certificates, including the principal amount, maturities and CUSIP numbers thereof.

(d) The District shall provide the Insurer with notice of the resignation or removal of the Trustee or the Depository, and the appointment of, and acceptance of duties by, any successor thereto.

(e) Each of the District and the Trustee agrees that it will, if it has actual knowledge thereof, promptly notify the Insurer of (i) the commencement of any Insolvency Proceeding by or against the District, and (ii) the making of any claim in connection with any Insolvency Proceeding

seeking the avoidance as a preferential transfer of any payment of principal or interest evidenced by the Certificate.

(f) The Trustee shall, at the time any report, notice or correspondence is delivered to Owners of the Certificates pursuant to the provisions hereof, deliver a copy of such report, notice or correspondence to the Insurer.

(g) The District shall provide the Insurer with all information furnished pursuant to the Continuing Disclosure Certificate simultaneously with the furnishing of such information.

(h) The Trustee shall notify the Insurer of any failure of the District to provide notices, certificates and other information under this Trust Agreement or the Lease Agreement.

**Section 11.04. Reserve Policy Provisions.** As long as the Reserve Policy shall be in full force and effect, the Trustee agrees to comply with the following provisions:

(a) If, on the fifth Insurance Business Day prior to a Principal Payment Date, Mandatory Sinking Account Payment Date or Interest Payment Date moneys on deposit in the Base Rental Payment Fund, the Interest Fund and/or the Principal Fund, as applicable, plus all amounts on deposit in and credited to the Reserve Fund in excess of the amount of the Reserve Policy, are insufficient to pay the amount of principal and interest coming due, the Trustee shall give notice to the Reserve Insurer by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day.

(b) The District hereby agrees, to the extent permitted by law, to pay or reimburse the Reserve Insurer any and all charges, fees, costs and expenses which the Reserve Insurer may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with any actions taken to facilitate payments under the Reserve Policy or the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of this Trust Agreement or the Lease Agreement. For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation with the actions described in the preceding sentence. The District agrees that failure to pay such costs and expenses on a timely basis will result in the accrual of interest on the unpaid amount at the Insurer Rate, compounded semi-annually, from the date that payment is first due to the Reserve Insurer until the date the Reserve Insurer is paid in full. The obligations set forth in this subsection shall survive discharge or termination of this Trust Agreement and the Lease Agreement.

## ARTICLE XII

### MISCELLANEOUS

**Section 12.01. Benefits of Trust Agreement.** Nothing contained herein, expressed or implied, is intended to give to any person other than the Trustee, the Corporation, the District, the Insurer, the Reserve Insurer and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term required herein to be observed or performed by or on behalf of the District or the Corporation shall be for the sole and exclusive benefit of the Trustee, the Corporation, the District, the Insurer, the Reserve Insurer and the Owners.

**Section 12.02. Successor Deemed Included in all References to Predecessor.** Whenever the Trustee, the Corporation or the District, or any officer thereof, is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Trustee, the Corporation or the District, or such officer, and all agreements, conditions, covenants and terms required hereby to be observed or performed by or on behalf of the Trustee, the Corporation or the District, or any officer thereof, shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

**Section 12.03. Execution of Documents by Owners.** Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Certificates and the amount, payment date, number and date of owning the same may be proved by the Registration Books.

Any declaration, request or other instrument in writing of the Owner of any Certificate shall bind all future Owners of such Certificate with respect to anything done or suffered to be done by the District or the Trustee in good faith and in accordance therewith.

**Section 12.04. Waiver of Personal Liability.** Notwithstanding anything contained herein to the contrary, no member, officer or employee of the District shall be individually or personally liable for the payment of any moneys, including without limitation, the interest or principal evidenced by the Certificates, but nothing contained herein shall relieve any member, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law, by the Lease Agreement or hereby.

**Section 12.05. Acquisition of Certificates by District.** All Certificates acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

**Section 12.06. Content of Written Certificates.** Every Written Certificate of the District and every Written Certificate of the Corporation with respect to compliance with any agreement, condition, covenant or term contained herein shall include (a) a statement that the person making or giving such Written Certificate has read such agreement, condition, covenant or term and the definitions herein relating thereto, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such Written Certificate are based, (c) a statement that, in the opinion of the signer, the signer has made or caused to be made such examination or investigation as is necessary to enable the signer to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with, and (d) a statement as to whether, in the opinion of the signer, such agreement, condition, covenant or term has been complied with.

Any Written Certificate of the District and any Written Certificate of the Corporation may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless the person making or giving such Written Certificate knows that the Opinion of Counsel with respect to the matters upon which each person's certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information which is in the possession of the District or the Corporation upon a representation by an officer or officers of the District or the Corporation, as the case may be, unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which such counsel's opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

**Section 12.07. Funds and Accounts.** Any fund or account required to be established and maintained herein by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund, but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Certificates and the rights of the Owners.

The Trustee may commingle any of the moneys held by it hereunder for investment purposes only; provided, however, that the Trustee shall account separately for the moneys in each fund or account established pursuant to this Trust Agreement.

The Trustee may, in its discretion, establish a temporary funds or accounts in its books or records to facilitate such deposits and transfers.

**Section 12.08. Third-Party Beneficiary.** The Insurer is a third-party beneficiary of this Trust Agreement.

**Section 12.09. Article and Section Headings, Gender and References.** The singular form of any word used herein, including the terms defined in Section 1.01 hereof, shall include the plural, and vice versa, unless the context otherwise requires. The use herein of a pronoun of any gender shall include correlative words of the other genders. The headings or titles of the several Articles and Sections hereof and the table of contents appended hereto shall be solely for

convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to “Articles,” “Sections,” subsections or clauses are to the corresponding Articles, Sections, subsections or clauses hereof, and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section, subsection or clause thereof.

**Section 12.10. Partial Invalidity.** If any one or more of the agreements, conditions, covenants or terms required herein to be observed or performed by or on the part of the Corporation, the District or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void to the extent contrary to law and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Certificates, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law. The Trustee, the Corporation and the District hereby declare that they would have executed this Trust Agreement, and each and every Article, Section, paragraph, subsection, sentence, clause and phrase hereof and would have authorized the execution and delivery of the Certificates pursuant hereto irrespective of the fact that any one or more Articles, Sections, paragraphs, subsections, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

**Section 12.11. Notices.** All written notices, statements, demands, consents, approvals, authorizations, offers, designations, requests or other communications hereunder shall be given to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the District:	Marysville Joint Unified School District 1919 B Street Marysville, California 95901 Attention: Superintendent
If to the Corporation:	Marysville Joint Unified School District Financing Corporation 1919 B Street Marysville, California 95901 Attention: Superintendent
If to the Trustee:	The Bank of New York Mellon Trust Company, N.A. 400 South Hope Street, Suite 500 Los Angeles, California 90071 Attention: Corporate Trust Services

If to the Insurer: [\_\_\_\_\_]
[\_\_\_\_\_]
[\_\_\_\_\_]
Attention: [\_\_\_\_\_]
Re: Policy Nos. [\_\_\_\_\_]
Telephone: [\_\_\_\_\_]
Telecopier: [\_\_\_\_\_]
Email: [\_\_\_\_\_]

In each case in which notice or other communication refers to an event of default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel of the Insurer and shall be marked to indicate "URGENT MATERIAL ENCLOSED" and shall also be sent to the attention of the General Counsel at the same address and at [\_\_\_\_\_] or at telecopier number [\_\_\_\_\_].

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if given by courier or delivery service or if personally served or delivered, upon delivery, (b) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, (c) if given by electronic mail, on the date sent, but only if confirmation of the receipt of such electronic mail is received or if notice is concurrently sent by another means specified herein, and (d) if given by any other means, upon delivery at the address specified in this Section.

Section 12.12. Electronic Signature. Each of the parties hereto agrees that the transaction consisting of this Trust Agreement may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent, that if such party signs this Trust Agreement using an electronic signature, it is signing, adopting and accepting this Trust Agreement and that signing this Trust Agreement using an electronic signature is the legal equivalent of having placed the undersigned officer's handwritten signature on this Trust Agreement on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Trust Agreement in a usable format.

Section 12.13. Governing Law. This Trust Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

Section 12.14. Execution in Counterparts. This Trust Agreement may be simultaneously executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

**IN WITNESS WHEREOF**, the parties hereto have caused this Trust Agreement to be executed by their respective officers thereunto duly authorized, all as of the day and year first written above.

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., AS TRUSTEE**

By: \_\_\_\_\_  
Authorized Officer

**MARYSVILLE JOINT UNIFIED  
SCHOOL DISTRICT FINANCING  
CORPORATION**

By: \_\_\_\_\_

**MARYSVILLE JOINT UNIFIED  
SCHOOL DISTRICT**

By: \_\_\_\_\_

## EXHIBIT A

### MASTER DEFINITIONS

**“Acquisition Costs”** means all costs of acquiring, constructing and installing the Project, including but not limited to:

(a) all costs which the Corporation or the District shall be required to pay to a seller or any other Person under the terms of any contract or contracts for the purchase of any portion of the Project;

(b) all costs which the Corporation or the District shall be required to pay a contractor or any other Person for the acquisition, construction and installation of any portion of the Project;

(c) obligations of the Corporation or the District incurred for services (including obligations payable to the Corporation or the District for actual out-of-pocket expenses of the Corporation or the District) in connection with the acquisition, construction and installation of any portion of the Project, including reimbursement to the Corporation or the District for all advances and payments made in connection with the Project prior to or after delivery of the Certificates;

(d) the actual out-of-pocket costs of the Corporation or the District for test borings, surveys, estimates and preliminary investigations therefor, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of any portion of the Project, including administrative expenses under the Lease Agreement and under the Trust Agreement relating to the acquisition, construction and installation of the Project;

(e) Costs of Issuance, to the extent amounts for the payment thereof are not available in the Costs of Issuance Fund; and

(f) any sums required to reimburse the Corporation or the District for advances made by the Corporation or the District for any of the above items or for any other costs incurred and for work done by the Corporation or the District which are properly chargeable to the Project.

**“Acquisition Fund”** means the fund by that name established and held by the Trustee pursuant to Section 3.04 of the Trust Agreement.

**“Additional Rental Payments”** means all amounts payable by the District as Additional Rental Payments pursuant to Section 3.02 of the Lease Agreement.

**“Asbestos Containing Materials”** means material in friable form containing more than 1% of the asbestiform varieties of (a) chrysotile (serpentine), (b) crocidolite (ricbeckite), (c) amosite (cummington-itegrinerite), (d) anthophyllite, (e) tremolite and (f) actinolite.

**“Assignment Agreement”** means the Assignment Agreement, dated as of [\_\_\_\_\_] 1, 2021, by and between the Corporation and the Trustee, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof.

**“Authorized Corporation Representative”** means the President of the Corporation, the Vice President of the Corporation, the Chief Financial Officer of the Corporation, the Secretary of the Corporation, and any other person authorized by the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect to the Trust Agreement.

**“Authorized Denominations”** means \$5,000 or any integral multiple thereof.

**“Authorized District Representative”** means the President of the Board of Trustees, the Clerk or Secretary of the Board of Trustees, and such other member of the Board of Trustees as the President may designate, the Superintendent of the District, the Assistant Superintendent of Business Services of the District, and any person authorized by the Board of Trustees of the District to act on behalf of the District under or with respect to the Trust Agreement.

**“Base Rental Deposit Date”** means the 15th day next preceding each Interest Payment Date.

**“Base Rental Payment Fund”** means the fund by that name established and held by the Trustee pursuant to Section 5.01 of the Trust Agreement.

**“Base Rental Payment Schedule”** means the schedule of Base Rental Payments payable to the Corporation from the District pursuant to Section 3.01 of the Lease Agreement and attached as Exhibit C to the Lease Agreement.

**“Base Rental Payments”** means all amounts payable to the Corporation from the District as Base Rental Payments pursuant to Section 3.01 of the Lease Agreement.

**“Beneficial Owners”** means those Persons for whom the Participants have caused the Depository to hold Book-Entry Certificates.

**“Book-Entry Certificates”** means the Certificates registered in the name of the nominee of DTC, or any successor securities depository for the Certificates, as the registered owner thereof pursuant to the terms and provisions of Section 2.08 of the Trust Agreement.

**“Business Day”** means a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city or cities in which the Principal Office of the Trustee is located are authorized or required by law to be closed, or (c) a day on which the New York Stock Exchange is closed.

**“Capitalized Interest Account”** means the account by that name established and held by the Trustee pursuant to Section 5.02 of the Trust Agreement.

**“Cede & Co.”** means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Certificates.

**“Certificate Purchase Agreement”** means the Certificate Purchase Agreement, dated [\_\_\_\_\_], 2021, by and between the Purchaser and the District relating to the Certificates.

**“Certificate Year”** means each twelve-month period beginning on June 1 in each year and extending to the next succeeding May 31, both dates inclusive, except that the first Certificate Year shall begin on the Delivery Date and end on May 31, 20[21].

**“Certificates”** means the Marysville Joint Unified School District Certificates of Participation (2021 Energy Efficiency Projects), executed and delivered by the Trustee pursuant to the Trust Agreement.

**“Code”** means the Internal Revenue Code of 1986.

**“Continuing Disclosure Certificate”** means the Continuing Disclosure Certificate, dated the Delivery Date, executed by the District, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof.

**“Corporation”** means the Marysville Joint Unified School District Financing Corporation, a nonprofit public benefit corporation organized and existing under the laws of the State of California, and its successors.

**“Corporation Event of Default”** means an event described as such in Section 6.03 of the Lease Agreement.

**“Costs of Issuance”** means all the costs of executing and delivering the Certificates, including, all printing and document preparation expenses in connection with the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Certificates and the preliminary official statement and final official statement pertaining to the Certificates; rating agency fees, title insurance fees, market study fees, legal fees and expenses of counsel with respect to the execution and delivery of the Certificates, any computer and other expenses incurred in connection with the Certificates, the fees and expenses of the Trustee, including fees and expenses of its counsel, the fees and expenses of any municipal advisor to the District, any premium for municipal bond insurance or a reserve surety, and other fees and expenses incurred in connection with the execution of the Certificates, to the extent such fees and expenses are approved by the District.

**“Costs of Issuance Fund”** means the fund by that name established and held by the Trustee pursuant to Section 3.03 of the Trust Agreement.

**“Defeasance Securities”** means (a) non-callable direct obligations of the United States of America (“United States Treasury Obligations”), (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated, (c) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively,

or (d) subject to the prior written consent of the Insurer, securities eligible for “AAA” defeasance under then existing criteria of S&P, or any combination thereof.

**“Delivery Date”** means \_\_\_\_\_, 2021.

**“Depository”** means the securities depository acting as Depository pursuant to Section 2.08 of the Trust Agreement.

**“District”** means the Marysville Joint Unified School District, a school district organized and existing under the laws of the State of California, and its successors.

**“DTC”** means The Depository Trust Company, New York, New York, and its successors.

**“Environmental Regulations”** means all Laws and Regulations, now or hereafter in effect, with respect to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, *et seq.*) (together with the regulations promulgated thereunder, “CERCLA”), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, *et seq.*) (together with the regulations promulgated thereunder, “RCRA”), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, *et seq.*) (together with the regulations promulgated thereunder, “Title III”), the Clean Water Act, as amended (33 U.S.C. Section 1321, *et seq.*) (together with the regulations promulgated thereunder, “CWA”), the Clean Air Act, as amended (42 U.S.C. Section 7401, *et seq.*) (together with the regulations promulgated thereunder, “CAA”) and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 *et seq.*) (together with the regulations promulgated thereunder, “TSCA”), and any state or local similar laws and regulations and any so-called local, state or federal “superfund” or “superlien” law.

**“Fair Rental Value”** means, with respect to the Property, the annual fair rental value thereof, as set forth in Section 3.03 of the Lease Agreement.

**“Ground Lease”** means the Ground Lease, dated as of [\_\_\_\_\_] 1, 2021, by and between the District and the Corporation, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof and of the Lease Agreement.

**“Hazardous Materials”** means flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos or any Asbestos Containing Materials, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA and Title III, and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the Corporation, the District, the Property or the business operations conducted by the Corporation or the District thereon.

**“Independent Insurance Consultant”** means a nationally recognized independent actuary, insurance company or broker acceptable to the Insurer that has actuarial personnel experienced in the area of insurance for which the District is to be self-insured, as may from time to time be designated by the District.

**“Insolvency Proceeding”** has the meaning ascribed to such term in Section 11.01(m) of the Trust Agreement.

**“Insurance Business Day”** means any day other than (a) a Saturday or Sunday, (b) any day on which the Principal Office of the Trustee or the Principal Office of the Insurer are closed, and (c) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York.

**“Insurance Policy”** means the Municipal Bond Insurance Policy, and any endorsement thereto, issued by the Insurer guaranteeing the scheduled payment of the interest and principal evidenced by the Certificates when due, or any insurance policy substituted for said Municipal Bond Insurance Policy.

**“Insurer”** means [\_\_\_\_\_], [a New York mutual insurance corporation], or any successor thereto or assignee thereof.

**“Insurer Rate”** means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in the City of New York, New York, as its prime or base lending rate (the “Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus [\_\_\_\_\_]%, and (ii) the then applicable highest rate of interest evidenced by the Certificates, and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. Interest at the Insurer Rate shall be computed on the basis of the actual days elapsed over a year of 360 days. In the event JPMorgan Chase Bank, N.A. ceases to announce its Prime Rate, the Prime Rate shall be the prime rate or base lending rate of such other bank, banking association or trust company as the Insurer, in its sole and absolute discretion, shall designate.

**“Insurer’s Fiscal Agent”** means a fiscal agent appointed by the Insurer for purposes of, and in accordance with the terms contained in, the Insurance Policy.

**“Interest Fund”** means the fund by that name established and held by the Trustee pursuant to Section 5.02 of the Trust Agreement.

**“Interest Payment Date”** means June 1 and December 1 of each year commencing June 1, 2021.

**“Laws and Regulations”** means any applicable law, regulation, code, order, rule, judgment or consent agreement, including those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property.

**“Lease Agreement”** means the Lease Agreement, dated as of [\_\_\_\_\_] 1, 2021, by and between the District and the Corporation, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof.

**“Letter of Representations”** means the letter of the District delivered to and accepted by the Depository on or prior to the delivery of the Certificates as Book-Entry Certificates setting

forth the basis on which the Depository serves as depository for such Book-Entry Certificates, as originally executed or as it may be amended or supplemented or replaced by a letter to a substitute Depository.

**“Mandatory Sinking Account Payment”** means the principal evidenced by the Certificates required to be paid on each Mandatory Sinking Account Payment Date pursuant to Section 4.01 of the Trust Agreement.

**“Mandatory Sinking Account Payment Date”** means, for the Certificates with a stated Principal Payment Date of (a) June 1, 20\_\_, June 1, 20\_\_, and each June 1 thereafter continuing through and including June 1, 20\_\_, and (b) June 1, 20\_\_, June 1, 20\_\_, and each June 1 thereafter continuing through and including June 1, 20\_\_.

**“Moody’s”** means Moody’s Investors Service, Inc., its successors and assigns, and, if Moody’s Investors Service, Inc., shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the District.

**“Net Proceeds”** means any insurance proceeds or condemnation award in excess of \$50,000 paid with respect to any of the Property, remaining after payment therefrom of all reasonable expenses incurred in the collection thereof.

**“Nominee”** means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.08 of the Trust Agreement.

**“Opinion of Counsel”** means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

**“Outstanding”** means, with respect to the Certificates, as of any date, Certificates theretofore or thereupon being executed and delivered under the Trust Agreement, except (a) Certificates canceled by the Trustee or delivered to the Trustee for cancellation on or prior to such date, (b) Certificates in lieu of which other Certificates have been executed and delivered, or that have been paid without surrender thereof pursuant to Section 2.10 of the Trust Agreement, and (c) Certificates paid or deemed to have been paid within the meaning of Section 10.02 of the Trust Agreement.

**“Owner”** means, with respect to a Certificate, the Person in whose name such Certificate is registered on the Registration Books.

**“Participating Underwriter”** has the meaning ascribed to such term in the Continuing Disclosure Certificate.

**“Participant”** means any entity which is recognized as a participant by the Depository in the book-entry system of maintaining records with respect to Book-Entry Certificates.

**“Permitted Encumbrances”** means, with respect to the Property, as of any particular time, (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions of Section 8.06 of the Lease Agreement, permit to remain

unpaid, (b) the Assignment Agreement, (c) the Lease Agreement, (d) the Ground Lease, (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law as normally would exist with respect to properties similar to the Property for the purposes for which it was acquired or is held by the District, (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions that exist of record as of the Delivery Date that the District certifies in writing will not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Certificates by the Trust Agreement and the Assignment Agreement, and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Delivery Date that the District certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Certificates by the Trust Agreement and the Assignment Agreement and to which the Corporation and the Insurer consents in writing.

**“Permitted Investments”** means the following:

(a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), and obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully guaranteed by the United States of America (“Federal Securities”);

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand deposit accounts or time deposits (including certificates of deposit) in a federal or state chartered bank (including the Trustee and its affiliates) or a state licensed branch of a foreign bank or a state or federal association (as defined in Section 5102 of the California Financial Code), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated A1 or better by S&P, or (ii) such demand deposit accounts or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated at the time of purchase in the highest short-term rating category by S&P, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank whose short-term obligations are rated at the time of purchase in the highest short-term rating category by S&P, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Code and which are rated A or better by S&P;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P;

(h) money market funds which are rated Am or better by S&P, including funds for which the Trustee and its affiliates receive and retain a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;

(i) an investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution or corporation, the long-term unsecured obligations of which are or, in the case of an insurance company, the long term financial strength of which is, rated "AA-" or better by S&P at the time of initial investment; provided, that the investment agreement shall be subject to a downgrade provision with at least the following requirements:

(1) the agreement shall provide that within ten Business Days after the financial institution's long-term unsecured credit rating has been withdrawn, suspended, or reduced below "AA-" by S&P (such events referred to as "rating downgrades") the financial institution shall give notice to the District and the Trustee and, within such ten-day period, and for as long as the rating downgrade is in effect, shall deliver in the name of the Trustee Federal Securities with an aggregate current market value equal to at least 105% of the principal amount of the investment agreement invested with the financial institution at that time, and shall deliver additional Federal Securities as needed to maintain an aggregate current market value equal to at least 105% of the principal amount of the investment agreement within three days after each evaluation date, which shall be at least weekly, and

(2) the agreement shall provide that, if the financial institution's long-term unsecured credit rating is reduced below "A-" by S&P, the financial institution shall give notice of the downgrade to the District and the Trustee within five Business Days, and the Trustee may, upon five Business Days' written notice to the financial institution, withdraw all amounts invested pursuant to the investment agreement, with accrued but unpaid interest thereon to the withdrawal date, and terminate the agreement.

(j) repurchase agreements with (i) any domestic bank, or domestic branch of a foreign bank, the long-term debt of which is rated at least "A" by S&P and Moody's; (ii) any broker-dealer with "retail customers" or a related affiliate thereof, which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term

debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (iii) any other entity (or entity whose obligations are guaranteed by an affiliate or parent company) rated at least “A” by S&P and Moody’s, provided that:

(1) the market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);

(2) the Trustee or a third party acting solely as agent therefor (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);

(3) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(4) all other requirements of S&P and Moody’s in respect of repurchase agreements shall be met; and

(5) the repurchase agreement shall provide that if during its term the provider’s rating by either S&P or Moody’s is withdrawn or suspended or falls below “A-” or “A3” respectively, the provider must immediately notify the District and Trustee and the provider must, at the direction of the District or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Trustee.

**“Persons”** means an individual, corporation, firm, association, partnership, limited liability company, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

**“Policy Payments Account”** means the account by that name established and held by the Trustee pursuant to subsection (d) of Section 11.02 of the Trust Agreement.

**“Preference Claim”** has the meaning ascribed to such term in Section 11.01(m) of the Trust Agreement.

**“Prepayment Fund”** means the fund by that name established and held by the Trustee pursuant to Section 5.02 of the Trust Agreement.

**“Principal Fund”** means the fund by that name established and held by the Trustee pursuant to Section 5.02 of the Trust Agreement.

**“Principal Office”** means the Trustee’s principal corporate trust office in Los Angeles, California, or any other office designated by the Trustee.

**“Principal Payment Date”** means, with respect to a Certificate, the date on which the principal evidenced by such Certificate is scheduled, as of the date of execution and delivery of such Certificate, to become due and payable.

**“Project”** consists of the acquisition, installation and equipping of solar, heating, ventilation and air conditioning and lighting systems throughout the District.

**“Property”** means the real property described in Exhibit B to the Lease Agreement and any improvements thereto.

**“Purchaser”** means D.A. Davidson & Co., as underwriter and purchaser of the Certificates pursuant to the Certificate Purchase Agreement.

**“Rebate Fund”** means the fund by that name established and held by the Trustee pursuant to Section 5.06 of the Trust Agreement.

**“Rebate Requirement”** has the meaning ascribed to such term in the Tax Certificate.

**“Record Date”** means, with respect to any Interest Payment Date, the fifteenth day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

**“Registration Books”** means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Certificates pursuant to Section 2.06 of the Trust Agreement.

**“Release”** means to pump, spill, leak, dispose of, empty, discharge or release.

**“Rental Payments”** means, collectively, the Base Rental Payments and the Additional Rental Payments.

**“Rental Period”** means the period from the Delivery Date through June 30, 2021 and, thereafter, the twelve-month period commencing on July 1 of each year during the term of the Lease Agreement.

**“Reserve Facility”** means the Reserve Policy and any line of credit, letter of credit, insurance policy, surety bond or other credit source deposited with the Trustee pursuant to Section 5.05 of the Trust Agreement.

**“Reserve Fund”** means the fund by that name established and held by the Trustee pursuant to Section 5.05 of the Trust Agreement.

**“Reserve Insurer”** means [\_\_\_\_\_], [a New York mutual insurance corporation], or any successor thereto or assignee thereof.

**“Reserve Policy”** means the Municipal Bond Debt Service Reserve Insurance Policy, and any endorsement thereto, issued by the Reserve Insurer under which claims may be made in order to provide moneys in the Reserve Fund available for the purposes thereof.

**“Reserve Requirement”** means, as of any date of calculation, an amount equal to the least of (a) 10% of the outstanding par amount evidenced by the Certificates, (b) the maximum amount of outstanding principal and interest evidenced by the Certificates coming due in any Certificate Year and (c) 125% of the average amount of outstanding principal and interest evidenced by the Certificates coming due in each Certificate Year.

**“S&P”** means S&P Global Ratings, a business unit of Standard and Poor’s Financial Services, LLC, its successors and assigns, and, if S&P Global Ratings shall for any reason no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the District.

**“Scheduled Termination Date”** means June 1, 20\_\_.

**“Tax Certificate”** means the Tax Certificate executed by the District at the time of execution and delivery of the Certificates relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof.

**“Trust Agreement”** means the Trust Agreement, dated as of [\_\_\_\_\_] 1, 2021, by and among the Trustee, the Corporation and the District, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof.

**“Trustee”** means The Bank of New York Mellon Trust Company, N.A., as trustee under the Trust Agreement, or any successor thereto as Trustee under the Trust Agreement substituted in its place as provided therein.

**“Verification Report”** means, with respect to the deemed payment of Certificates pursuant to clause (ii) of subsection (a) of Section 10.02 of the Trust Agreement, a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements of clause (ii) of subsection (a) of Section 10.02 of the Trust Agreement.

**“Written Certificate of the Corporation”** means a written certificate signed in the name of the Corporation by an Authorized Corporation Representative. Any such certificate may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

**“Written Certificate of the District”** or **“Written Request of the District”** means, respectively, a written certificate or written request signed in the name of the District by an Authorized District Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

**EXHIBIT B**

**FORM OF CERTIFICATE**

No. R-

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**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
CERTIFICATE OF PARTICIPATION  
(2021 ENERGY EFFICIENCY PROJECTS)**

<b>PAYMENT DATE</b>	<b>INTEREST RATE</b>	<b>DATED DATE</b>	<b>CUSIP NO.</b>
June 1, 20__			

**REGISTERED OWNER:** CEDE & CO.

**PRINCIPAL AMOUNT:** \_\_\_\_\_ **DOLLARS**

**THIS IS TO CERTIFY** that the Registered Owner of this Certificate of Participation (the “Certificate”), as identified above, is the owner of a direct, fractional undivided interest in certain base rental payments (“Base Rental Payments”) payable under and pursuant to the Lease Agreement, dated as of [\_\_\_\_\_] 1, 2021 (the “Lease Agreement”), by and between the Marysville Joint Unified School District (the “District”), a school district organized and existing under the laws of the State of California, as lessee, and the Marysville Joint Unified School District Financing Corporation (the “Corporation”), a nonprofit public benefit corporation organized and existing under the laws of the State of California, as lessor. The rights of the Corporation under the Lease Agreement, including the right to receive the Base Rental Payments, have been assigned without recourse by the Corporation to The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the “Trustee”), under the Trust Agreement, dated as of [\_\_\_\_\_] 1, 2021 (the “Trust Agreement”), by and among the Trustee, the Corporation and the District. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Trust Agreement.

This Certificate is one of the duly authorized Marysville Joint Unified School District Certificates of Participation (2021 Energy Efficiency Projects) (the “Certificates”), evidencing principal in the aggregate amount of \$[\_\_\_\_\_], executed pursuant to the terms of the Trust Agreement. The Certificates evidence direct, fractional undivided interests in Base Rental Payments payable under the Lease Agreement. The Certificates are being executed and delivered to finance the acquisition, installation and equipping of solar, heating, ventilation and air conditioning and lighting systems throughout the District.

Reference is hereby made to the Trust Agreement and to any and all amendments thereof and supplements thereto for a description of the agreements, conditions, covenants and terms with

respect to the Certificates, for the nature, extent and manner of enforcement of such agreements, conditions, covenants and terms, for the rights, duties and immunities of the Trustee, for the rights and remedies of the registered owners of the Certificates with respect thereto and for the other agreements, conditions, covenants and terms upon which the Certificates are executed and delivered thereunder, to all of which provisions the Registered Owner by acceptance hereof, assents and agrees, and the provisions of the Trust Agreement are hereby incorporated into this Certificate as though fully set forth herein.

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Trust Agreement and any right of prepayment as provided herein or therein, on the Payment Date set forth above, upon surrender of this Certificate at the Principal Office of the Trustee, the Principal Amount specified above, evidencing the Registered Owner's interest in the Base Rental Payments designated as principal components coming due on the Payment Date, and to receive on June 1 and December 1 of each year, commencing on [\_\_\_\_\_] 1, 2021 (the "Interest Payment Dates"), interest accrued thereon at the Interest Rate specified above, computed on the basis of a 360-day year consisting of twelve 30-day months, until said Principal Amount is paid in full, evidencing the Registered Owner's interest in the Base Rental Payments designated as interest components coming due on each of said dates.

This Certificate shall evidence interest from the Interest Payment Date next preceding its date of execution to which interest has been paid in full, unless such date of execution shall be after the fifteenth day of the month next preceding an Interest Payment Date, whether or not such day is a business day (each such date, a "Record Date"), and on or prior to the following Interest Payment Date, in which case this Certificate shall evidence interest from such Interest Payment Date, or unless such date of execution shall be on or prior to [\_\_\_\_\_] 15, 2021, in which case this Certificate shall evidence interest from the Dated Date specified above. Notwithstanding the foregoing, if, as shown by the records of the Trustee, interest evidenced by the Certificates shall be in default, this Certificate shall evidence interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for.

Except as otherwise provided in the Letter of Representations, payments of interest evidenced by the Certificates shall be made to the Owners thereof (as determined at the close of business on the Record Date next preceding the related Interest Payment Date) by check or draft of the Trustee mailed on the Interest Payment Date to the address of each such Owner as it appears on the Registration Books, or to such other address as may be furnished in writing to the Trustee by each such Owner. Except as otherwise provided in the Letter of Representations, payment of principal and prepayment premium, if any, evidenced by the Certificates, on their stated principal payment dates or on prepayment in whole or in part prior thereto, shall be made only upon presentation and surrender of the Certificates at the Principal Office of the Trustee. All such amounts are payable in lawful money of the United States of America.

The Certificates are authorized to be executed and delivered in the form of fully registered certificates in denominations of \$5,000 or any integral multiple thereof ("Authorized Denominations").

This Certificate may be transferred or exchanged by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Principal Office of the Trustee, but only

in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement.

The Certificates evidence and represent a fractional undivided interest in Base Rental Payments and enjoy the benefits of a security interest in the moneys held in the funds and accounts established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein.

The Certificates are subject to prepayment on the dates, at the prepayment prices and pursuant to the terms set forth in the Trust Agreement. Notice of prepayment of any Certificate or any portion thereof shall be given as provided in the Trust Agreement.

The Trust Agreement, and the rights and obligations of the Corporation, the District, the Trustee and the Owners may be modified or amended in the manner, to the extent, and upon the terms provided in the Trust Agreement.

The Trust Agreement contains provisions permitting the District to make provision for the payment of the principal, interest and premium, if any, evidenced by any of the Certificates so that such Certificates shall no longer be deemed to be Outstanding under the terms of the Trust Agreement.

Unless this Certificate is presented by an authorized representative of The Depository Trust Company to the Trustee for registration of transfer, exchange or payment, and any Certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

The Corporation and the District have certified that all acts, conditions and things required by the statutes of the State of California and by the Trust Agreement to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Certificate do exist, have happened and have been performed in regular and due time, form and manner as required by law, and that the Trustee is duly authorized to execute and deliver this Certificate.

**IN WITNESS WHEREOF**, this Certificate has been executed by the manual signature of an authorized signatory of the Trustee as of the date set forth below.

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

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., AS TRUSTEE**

By: \_\_\_\_\_  
Authorized Officer

## STATEMENT OF INSURANCE

[To come].

**ASSIGNMENT**

For value received the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_, whose address and social security or other tax identifying number is \_\_\_\_\_, the within-mentioned Certificate and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_, attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_

\_\_\_\_\_  
Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

\_\_\_\_\_  
Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Certificate in every particular without alteration or enlargement or any change whatsoever.

**EXHIBIT C**

**FORM OF WRITTEN REQUEST FOR DISBURSEMENTS  
FROM THE ACQUISITION FUND**

**WRITTEN REQUEST NO. \_\_\_\_\_  
FOR DISBURSEMENTS FROM THE ACQUISITION FUND**

The Marysville Joint Unified School District, a school district organized and existing under the laws of the State of California (the "District"), hereby states and certifies:

(a) that the undersigned is the duly [appointed/elected], qualified and acting \_\_\_\_\_ of the District, and, as such, is a duly designated "Authorized District Representative" as such term is defined in the Trust Agreement, dated as of [\_\_\_\_\_] 1, 2021 (the "Trust Agreement"), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the Marysville Joint Unified School District Financing Corporation (the "Corporation") and the District, and is familiar with the facts herein certified and is authorized and qualified to certify the same;

(b) that the Trustee is hereby requested to disburse from the Acquisition Fund, established pursuant to Section 3.04 of the Trust Agreement, to the payees set forth on Schedule 1 attached hereto and by this reference incorporated herein, the amount set forth on Schedule 1 opposite each such payee, for payment of such costs identified on said Schedule 1;

(c) that each item of cost identified on Schedule 1 has been properly incurred and the amounts to be disbursed from the Acquisition Fund pursuant to this Written Request are for Acquisition Costs properly chargeable to the Acquisition Fund by the District or the Corporation, as the case may be, and no amounts to be disbursed pursuant to this Written Request have been the subject of a previous Written Request for disbursement from the Acquisition Fund; and

(d) that an invoice for each item of cost identified on Schedule 1 is attached hereto.

Capitalized undefined terms used herein have the meanings ascribed thereto in the Trust Agreement.

Dated: \_\_\_\_\_

**MARYSVILLE JOINT UNIFIED  
SCHOOL DISTRICT**

By: \_\_\_\_\_

Name:

Title:

**SCHEDULE 1**

**ACQUISITION FUND DISBURSEMENTS**

**Payee Name and Address**

**Purpose of Obligation**

**Amount**

CERTIFICATE PURCHASE  
AGREEMENT

\$[\_\_\_\_\_]  
**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
CERTIFICATES OF PARTICIPATION  
(2021 ENERGY EFFICIENCY PROJECTS)**

**CERTIFICATE PURCHASE AGREEMENT**

[\_\_\_\_\_], 2021

Marysville Joint Unified School District  
1919 B Street  
Marysville, California 95901

Ladies and Gentlemen:

The undersigned, D.A. Davidson & Co. (the “Underwriter”), hereby offers to enter into this Certificate Purchase Agreement (the “Purchase Agreement”) with the Marysville Joint Unified School District (the “District”) for the purchase by the Underwriter of \$[\_\_\_\_\_] aggregate principal amount of Marysville Joint Unified School District Certificates of Participation (2021 Energy Efficiency Projects) (the “Certificates”). Upon acceptance of this offer by the District, this Purchase Agreement will be binding upon the District and the Underwriter. The offer made hereby is subject to acceptance by the District (by delivery to the Underwriter of an executed counterpart hereof by the District) at or before 11:59 p.m., California time, on the date hereof or at such later time and date as shall have been consented to by the Underwriter.

The District acknowledges and agrees that: (a) the purchase and sale of the Certificates pursuant to this Purchase Agreement is an arm’s-length commercial transaction between the District and the Underwriter; (b) the Underwriter is acting solely as underwriter and principal in connection with the process leading to, the matters contemplated by and all communications under this Purchase Agreement (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters), and is not acting as the agent or fiduciary of the District or as Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) of the District and its advisors in connection with the matters contemplated by this Purchase Agreement; (c) the Underwriter has neither assumed an advisory or fiduciary responsibility in favor of the District or its advisors with respect to the offering of the Certificates or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the District on other matters) nor has it assumed any other obligation to the District except the obligations expressly set forth in this Purchase Agreement; (d) the Underwriter has financial and other interests that differ from those of the District; and (e) in connection with the purchase and sale of the Certificates, the District has consulted its own financial and other advisors to the extent it has deemed appropriate. The District also acknowledges that it previously received from the Underwriter a letter regarding Municipal Securities Rulemaking Board (“MSRB”) Rule G-17 Disclosures, and that it has provided to the Underwriter an acknowledgement of such letter.

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of [\_\_\_\_\_] 1, 2021 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the Marysville Joint Unified School District Financing Corporation (the “Corporation”) and the District. Capitalized but undefined terms used herein shall have the meanings ascribed thereto in the Preliminary Official Statement (defined below).

**Section 1. Purchase and Purchase Price; Terms of Certificates.** (a) Upon the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the District agrees to cause the Trustee to execute and deliver to the Underwriter, and the Underwriter agrees to purchase, all (but not less than all) of the Certificates at an aggregate purchase price of \$[\_\_\_\_\_] (representing the aggregate principal amount evidenced by the Certificates of \$[\_\_\_\_\_] , [plus/less] [net] original issue [premium/discount] of \$[\_\_\_\_\_] , less an Underwriter’s discount of \$[\_\_\_\_\_] ).

(b) From such aggregate purchase price for the Certificates, the Underwriter shall withhold and agrees to wire on the Closing Date (as defined below) \$[\_\_\_\_\_] in immediately available funds to the Certificate Insurer (defined herein) and \$[\_\_\_\_\_] in immediately available funds to the Reserve Insurer (defined herein), which amounts represent the premiums and fees for the Insurance Policy (as defined below) and the Reserve Policy (as defined below), respectively. The remaining amount of the aggregate purchase price for the Certificates (\$[\_\_\_\_\_] ) shall be wired in immediately available funds to the Trustee to be applied pursuant to the Trust Agreement.

(c) The Certificates shall be dated the date of their delivery. The Certificates shall have the principal payment dates, evidence interest at the rates per annum, and be subject to prepayment as provided in the Official Statement and as set forth in Exhibit C hereto.

(d) The Certificates shall be substantially in the form described in, shall be executed and delivered under and pursuant to, and shall be payable and subject to prepayment as provided in, the Trust Agreement, substantially in the form previously submitted to the Underwriter, with only such changes therein as shall be mutually agreed upon by the Underwriter, the District and the Corporation.

(e) The proceeds of the Certificates will be used to (i) finance the acquisition, installation and equipping of solar, heating, ventilation and air conditioning and lighting systems throughout the District, and (ii) pay the costs incurred in connection with the execution and delivery of the Certificates.

(f) Payment of the principal and interest evidenced by the Certificates shall be insured by [\_\_\_\_\_] (the “Certificate Insurer”), which shall issue its municipal bond insurance policy (the “Insurance Policy”) guaranteeing such payment. The District will also obtain and cause to be deposited in the Reserve Fund established by the Trust Agreement a municipal bond debt service reserve insurance policy issued by [\_\_\_\_\_] (the “Reserve Insurer”) in an amount equal to the Reserve Requirement (the “Reserve Policy”).

(g) The District hereby ratifies, confirms and approves the use by the Underwriter, prior to the date hereof, of the Preliminary Official Statement of the District, dated [\_\_\_\_\_], 2021, relating to the Certificates (the “Preliminary Official Statement”), which Preliminary Official Statement the District deemed final and so certified as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for information permitted to be omitted therefrom by Rule 15c2-12. The District hereby agrees to deliver or cause to be delivered to the Underwriter, within seven business days after the date hereof, copies of the final Official Statement substantially in the form of the Preliminary Official Statement and with only such additions thereto, deletions therefrom and changes therein as the Underwriter shall approve (the “Official Statement”), (a) in “designated electronic format” (as defined in Rule G-32 of the Municipal Securities Rulemaking Board), and (b) in printed form in such reasonable quantity as the Underwriter shall request. The District hereby approves of the use and distribution by the Underwriter of the Preliminary Official Statement and the Official Statement in connection with the offer and sale of the Certificates. The District will undertake, pursuant to the Trust Agreement and the Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain enumerated events. A description of such undertaking is set forth in the Official Statement.

(h) The District hereby further authorizes the Underwriter to use, in connection with the offer and sale of the Certificates, the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment Agreement and the Continuing Disclosure Certificate (collectively, the “Certificate Documents”).

**Section 2. Public Offering of the Certificates.** The Underwriter agrees to make a bona fide initial public offering of all the Certificates at prices no higher than, or yields not lower than, those set forth on Exhibit C hereto. Subsequent to such initial public offering but subject to the provisions set forth in Section 3 below, the Underwriter reserves the right to lower such initial offering prices as the Underwriter deems necessary in connection with the marketing of the Certificates; provided, however, that the Underwriter shall not change the interest rates set forth in Exhibit C. Subject to the provisions set forth in Section 3 below, the Underwriter may offer and sell the Certificates to certain dealers (including dealers depositing the Certificates into investment trusts) and others at prices lower than the initial public offering price or prices set forth on Exhibit C hereto. The Underwriter also reserves the right to: (i) over-allot or effect transactions which stabilize or maintain the market price of the Certificates at levels above those that might otherwise prevail in the open market and (ii) discontinue such stabilizing, if commenced, at any time without prior notice.

**Section 3. Establishment of Issue Price.** (a) The Underwriter agrees to assist the District in establishing the issue price of the Certificates and shall execute and deliver to the District at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit D, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Special Counsel (as defined herein), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Certificates. All actions to be taken by the District under this section to establish the issue price of the Certificates may be taken on behalf of the District by the District’s Municipal Advisor, Isom Advisors, a Division of

Urban Futures, Inc. (the “Municipal Advisor”) and any notice or report to be provided to the District may be provided to the District’s Municipal Advisor.

(b) Except as otherwise set forth in Exhibit C attached hereto, the District will treat the first price (meaning single) at which 10% of each maturity of the Certificates (the “10% test”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the District the price or prices at which it has sold to the public each maturity of Certificates. If at that time the 10% test has not been satisfied as to any maturity of the Certificates, the Underwriter agrees to promptly report to the District the prices at which it sells the unsold Certificates of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date (as defined herein) has occurred, until either (i) the Underwriter has sold all Certificates of that maturity or (ii) the 10% test has been satisfied as to the Certificates of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the District or Special Counsel (as defined herein). For purposes of this Section, if Certificates mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Certificates.

(c) The Underwriter confirms that it has offered the Certificates to the public on or before the date of this Purchase Agreement at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit C attached hereto, except as otherwise set forth therein. Exhibit C also sets forth, as of the date of this Purchase Agreement, the maturities, if any, of the Certificates for which the Underwriter represents that (i) the 10% test has been satisfied (assuming orders are confirmed by the end of the day immediately following the day of execution of this Purchase Agreement) and (ii) the 10% test has not been satisfied and for which the District and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Certificates, the Underwriter will neither offer nor sell unsold Certificates of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriter has sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the District promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

(d) The Underwriter confirms that:

- (1) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Certificates to the public, together with the related pricing

wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(i) (A) to report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Certificates of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Certificates of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, and (B) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(ii) to promptly notify the Underwriter of any sales of Certificates that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below), and

(iii) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(2) any selling group agreement relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Certificates of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Certificates of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The District acknowledges that, in making the representations set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if

applicable to the Certificates, as set forth in the third-party distribution agreement and the related pricing wires.

(f) The Underwriter acknowledges that sales of any Certificates to any person that is a related party to an underwriter participating in the initial sale of the Certificates to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(1) “public” means any person other than an underwriter or a related party;

(2) “underwriter” means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the public);

(3) a purchaser of any of the Certificates is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(4) “sale date” means the date of execution of this Purchase Agreement by all parties.

**Section 4. Closing; Certificates.** At 9:00 a.m. California Time, on [\_\_\_\_\_], 2021, or at such other time or on such earlier or later date as the Underwriter and the District mutually agree upon (the “Closing Date”), the District will, subject to the terms and conditions hereof, deliver or cause the Certificates to be delivered through the facilities of The Depository Trust Company (“DTC”), duly executed in accordance with the provisions of the Trust Agreement. Subject to the terms and conditions hereof, upon receipt of proof of such delivery through DTC, the Underwriter will pay the purchase price of the Certificates as set forth in Section 1 hereof in federal or other immediately available funds. The Certificates shall be delivered as aforesaid through the facilities of DTC or at such other place as the Underwriter and the District mutually agree upon. On the Closing Date, the District will deliver or cause to be delivered the other documents mentioned herein at the offices of Orrick, Herrington & Sutcliffe LLP (“Special Counsel”) in Irvine, California, or at such other place as shall have been mutually agreed upon by the Underwriter and the District.

The Certificates (bearing CUSIP numbers) shall be in fully registered form, initially registered in the name of Cede & Co., as nominee of DTC, and shall be subject to a book-entry system of registration and transfer as described in the Official Statement. The Certificates shall be made available to the Underwriter for purposes of inspection for a reasonable period prior to the Closing Date in New York, New York, or at such other place as shall have been mutually agreed upon by the District and the Underwriter.

**Section 5. Covenants, Representations and Warranties of the District.** The District hereby covenants, represents and warrants to the Underwriter that:

(a) The District is a school district duly organized and validly existing under the constitution and laws of the State of California. The District has all necessary power and authority and has taken all official actions necessary to adopt the resolution of the Board of Trustees of the District authorizing the execution and delivery of the Certificate Documents to which the District is a party and other matters pertaining thereto (the “District Resolution”), execute and deliver the Official Statement and to execute, deliver and perform its duties under this Purchase Agreement and each of the Certificate Documents to which it is a party, and this Purchase Agreement and each of the Certificate Documents to which the District is a party has been duly authorized, has or will be executed and delivered by the District and, assuming the due authorization, execution and delivery by the other respective parties thereto, when executed and delivered by the District will constitute legally valid and binding obligations of the District enforceable against the District in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or limiting creditors’ rights generally or principles of equity involving judicial discretion.

(b) The District is not in material breach of, or default under, any applicable constitutional provision, law or administrative rule or regulation of the State of California or the United States of America material to the conduct of its governmental or financial functions or any applicable judgment or decree or any loan agreement, indenture, bond, certificate, note, resolution or other agreement or instrument to which the District is a party or to which the District or any of its properties is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any of the foregoing; and the authorization, execution and delivery of this Purchase Agreement, the Certificate Documents to which the District is a party and the Certificates, and compliance with the provisions hereof and thereof, will not conflict with or constitute a material breach of or default under any constitutional provision, law, administrative rule or regulation, or any judgment, decree, license, permit, loan agreement, indenture, bond, certificate, note, resolution, agreement or other instrument to which the District (or any of its officers in their respective capacities as such) is subject or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument except as may be provided by the Certificates or the Certificate Documents.

(c) To the best knowledge of the District, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory entity having jurisdiction over the District required for the execution and delivery of this Purchase Agreement or the Certificate

Documents to which the District is a party, or the execution and sale of the Certificates or the consummation by the District of the transactions contemplated herein, in the Official Statement or in the Certificate Documents, which has not been duly obtained or made on or prior to the date hereof.

(d) Except as disclosed in the Preliminary Official Statement and Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental or public entity pending or, to the best knowledge of the District, threatened against the District which affects or seeks to prohibit, restrain or enjoin the execution or delivery of the Certificates or the Certificate Documents, or contesting the validity of this Purchase Agreement, the Certificates or any of the Certificate Documents to which the District is party or the powers of the District to enter into or perform its obligations under this Purchase Agreement or the Certificate Documents to which it is a party or the existence or powers of the District, or which, if determined adversely to the District, would (A) materially impair the District's ability to meet its obligations under the Lease Agreement or materially and adversely affect the District's financial condition, or (B) adversely affect the exclusion of the interest evidenced by the Certificates from gross income for federal income tax purposes and the exemption of interest evidenced by the Certificates from State personal income taxation.

(e) The preparation and distribution of the Preliminary Official Statement and the Official Statement has been duly authorized by the District and the statements and information contained therein (except for statements and information regarding DTC, the Certificate Insurer, the Insurance Policy, the Reserve Insurer or the Reserve Policy) are true and correct in all material respects and such statements and information do not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) The District agrees that, for a period of 25 days after the end of the "underwriting period" (as defined in Rule 15c2-12), if any event of which it has actual knowledge occurs as a result of which the information in the Official Statement as then in existence would include any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading, the District shall promptly prepare, or cooperate in the preparation of, an amendment or supplement to the Official Statement which will correct such statement or omission. The District shall advise the Underwriter promptly of any proposal to so amend or supplement the Official Statement and shall effect such amendment or supplement in a form and manner approved by the Underwriter. The District shall promptly advise the Underwriter of the commencement of any action, suit, proceeding, inquiry or investigation seeking to prohibit, restrain or otherwise affect the use of the Official Statement in connection with the offering, sale or distribution of the Certificates. Unless the Underwriter otherwise advises the District that the end of the underwriting period shall be another specified date, the end of the underwriting period shall be the Closing Date.

(g) The proceeds from the sale to the Underwriter of the Certificates will be applied in the manner and for the purposes specified in the Trust Agreement.

(h) Any certificate signed by any official of the District and delivered in connection with the transactions contemplated by the Official Statement and this Purchase Agreement shall

be deemed to be a representation by the District to the Underwriter as to the statements made therein.

(i) The District agrees to cooperate with the Underwriter in endeavoring to qualify the Certificates for offer and sale under the securities or Blue Sky laws of such jurisdictions of the United States as the Underwriter may reasonably request; provided, however, that the District will not be required to consent to service of process in any such jurisdiction or to qualify as a foreign corporation in connection with any such qualification in any jurisdiction and that the Underwriter shall be solely responsible for the cost of such qualification.

(j) The District has complied with the Internal Revenue Code of 1986, as amended, with respect to the Certificates.

(k) The financial statements of, and other financial information regarding, the District contained in the Official Statement fairly present the financial position and results of the operations of the District as of the dates and for the periods therein set forth, and, to the best of the District's knowledge, (i) the audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied, and (ii) the other financial information has been determined on a basis substantially consistent with that of the District's audited financial statements included in the Official Statement.

(l) Based on a review of its prior undertakings with respect to Rule 15c2-12, except as described in the Official Statement, in the five preceding years, the District has never failed to comply with any continuing disclosure obligation entered into pursuant to Rule 15c2-12.

(m) Between the date of this Purchase Agreement and the date of Closing, the District will not, without the prior written consent of the Underwriter, and except as disclosed in the Official Statement, offer or issue any certificates, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent, secured by or payable from the District's general fund.

(n) Pursuant to Section 17150.1(a) of the California Education Code, the District caused notice of the proposed execution and delivery of the Certificates to be provided to the Yuba County Superintendent of Schools and the Yuba County Auditor-Controller, and the District provided information necessary to assess the anticipated effect of the execution and delivery of the Certificates, including the repayment schedules for the base rental payments evidenced by the Certificates, evidence of the ability of the District to repay such base rental payments, and the delivery costs of the Certificates, to the Yuba County Superintendent of Schools, the Yuba County Auditor-Controller, the Board of Trustees and the public.

(o) The District did not file, and the Yuba County Superintendent of Schools did not reclassify, in the current fiscal year or immediately preceding fiscal year, in connection with the submission of any interim financial report, a qualified or negative certification of its financial health.

**Section 6. Conditions to the Obligations of the Underwriter.** (a) The obligation of the Underwriter to accept delivery of and pay for the Certificates on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations,

warranties and agreements on the part of the District contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the District, the Corporation and the Trustee made in any certificates or other documents furnished pursuant to the provisions hereof or the Certificate Documents, and to the performance by the District, the Corporation and the Trustee of their respective obligations to be performed hereunder and under the Certificate Documents at or prior to the Closing Date, and to the following additional conditions:

(1) At the Closing Date, the Certificates, the Certificate Documents and the Official Statement shall have been duly authorized, executed and delivered by the respective parties thereto, in substantially the forms heretofore submitted to the Underwriter with only such changes as shall have been agreed to by the Underwriter, and said documents shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriter, and there shall have been taken in connection therewith, with the execution and delivery of the Certificates and with the transactions contemplated thereby and by this Purchase Agreement, all such actions as Orrick Herrington & Sutcliffe LLP, Special Counsel, shall deem to be necessary and appropriate;

(2) The representations and warranties of the District contained in this Purchase Agreement shall be true, correct and complete in all material respects on the date hereof and on the Closing Date, as if made again on the Closing Date, and the Official Statement (as the same may be supplemented or amended with the written approval of the Underwriter) shall be true, correct and complete in all material respects and such information shall not contain any untrue statement of fact or omit to state any fact required to be stated therein or necessary to make the statements therein relating to the District, in light of the circumstances under which such statements were made, not misleading;

(3) Between the date hereof and the Closing Date, the Underwriter shall have the right to cancel its obligation to purchase the Certificates if the market price or marketability of the Certificates, or the ability of the Underwriter to enforce contracts for the sale of the Certificates, shall be materially adversely affected, in the judgment of the Underwriter, by the occurrence of any of the following:

(i) legislation enacted or introduced in the Congress or recommended for passage by the President of the United States or a member of the President's cabinet (by press release, other form of notice or otherwise), or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made:

(A) by or on behalf of the Treasury Department of the United States or the Internal Revenue Service with the purpose or effect, directly or indirectly (except as described in the Official Statement), of imposing federal income taxation upon such interest as would be received by the owners of the Certificates, or

(B) by or on behalf of the Securities and Exchange Commission, or any other governmental entity having jurisdiction of the subject matter, to the effect that obligations of the general character of the Certificates, or the Certificates, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended;

(ii) the declaration of war or engagement in or escalation of major military hostilities by the United States or the occurrence of any other national or international emergency or calamity crisis relating to the effective operation of the government or of the financial community in the United States;

(iii) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(iv) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental entity, of any material restrictions not now in force with respect to the Certificates or obligations of the general character of the Certificates or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(v) an order, decree or injunction of any court of competent jurisdiction, or order, filing, regulation or official statement by the Securities and Exchange Commission, or any other governmental entity having jurisdiction of the subject matter, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Certificates, or the execution, delivery, offering or sale of the Certificates, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as then in effect;

(vi) the occurrence of any adverse change of a material nature of the financial condition, results of operation or properties of the District;

(vii) any rating of the Certificates or other debt obligations of the District has been downgraded, suspended or withdrawn by a national rating service or a negative qualification (e.g., “credit watch” or “negative outlook” designation) or other announcement made by a national rating service that the Certificates or other debt obligations of the District are under review without indication of a potentially favorable result, which, in the reasonable opinion of the Underwriter, materially adversely affects the marketability or market price of the Certificates;

(viii) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that

the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ix) the marketability of the Certificates or the market price thereof, in the opinion of the Underwriter, has been materially and adversely affected by disruptive events, occurrences or conditions in the securities or debt markets; or

(x) any state Blue Sky or securities commission, or other governmental agency or body, shall have withheld registration, exemption or clearance of the offering of the Certificates as described herein, or issued a stop order or similar ruling relating thereto.

(4) At or prior to the Closing Date, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter:

(i) the Official Statement and each Certificate Document, duly executed and delivered by the respective parties thereto, with such amendments, modifications or supplements as may have been agreed to by the Underwriter;

(ii) the unqualified approving opinion, dated the Closing Date and addressed to the District, of Orrick Herrington & Sutcliffe LLP, Special Counsel, in substantially the form attached to the Official Statement as Appendix C, and a letter of such counsel, dated the Closing Date and addressed to the Underwriter, to the effect that such opinion may be relied upon by the Underwriter to the same extent as if such opinion was addressed to it;

(iii) the supplemental opinion, dated the Closing Date and addressed to the Underwriter, of Orrick Herrington & Sutcliffe LLP, Special Counsel, substantially to the effect that (i) the Certificates are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended, except that no opinion need to be expressed with respect to the Insurance Policy or the Reserve Policy, (ii) this Purchase Agreement and the Continuing Disclosure Certificate have been duly executed and delivered by, and constitute valid and binding obligations of, the District enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against school districts in the State of California, except that no opinion need be expressed with respect to the adequacy of the Continuing Disclosure Certificate for purposes of Rule 15c2-12, and (iii) the statements contained in the Official Statement under the captions "THE CERTIFICATES" (excluding the information under the subheading "— Book-Entry Only System"), "SECURITY AND SOURCES OF PAYMENT FOR

THE CERTIFICATES,” “TAX MATTERS” and in “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS,” excluding any material that may be treated as included under such captions by cross-reference or reference to other documents or sources, insofar as such statements expressly summarize certain provisions of the Certificates, the Ground Lease, the Lease Agreement, the Assignment Agreement, the Trust Agreement, and the form and content of Special Counsel’s final legal opinion relating to the Certificates, are accurate in all material respects;

(iv) an opinion of Kingsley Bogard, LLP, as counsel to the District, in substantially the form of Exhibit A attached hereto, dated the Closing Date and addressed to the District, the Underwriter, the Trustee, the Certificate Insurer and the Reserve Insurer, in form and substance satisfactory to Special Counsel, the Underwriter, the Certificate Insurer and the Reserve Insurer;

(v) an opinion of Kingsley Bogard, LLP, as counsel to the Corporation, in substantially the form of Exhibit B attached hereto, dated the Closing Date, addressed to the Corporation, the District, the Underwriter, the Trustee, the Certificate Insurer and the Reserve Insurer, in form and substance satisfactory to Special Counsel, the Underwriter, the Certificate Insurer and the Reserve Insurer;

(vi) an opinion of the Associate General Counsel to the Certificate Insurer, dated the Closing Date and addressed to the District, the Trustee and the Underwriter, in form and substance satisfactory to Special Counsel and the Underwriter;

(vii) an opinion of Law Offices of Samuel D. Waldman, as counsel to the Trustee, in substantially the form of Exhibit E attached hereto, dated the Closing Date, addressed to the District, the Underwriter, the Certificate Insurer and the Reserve Insurer, in form and substance satisfactory to Special Counsel, the Underwriter, the Certificate Insurer and the Reserve Insurer;

(viii) the letter of Orrick Herrington & Sutcliffe LLP, as Disclosure Counsel, dated the Closing Date and addressed to the Underwriter and the District, to the effect that based on such counsel’s participation in conferences with representatives of the Underwriter, its counsel, the District, the Corporation, counsel to the District and the Corporation, the Municipal Advisor to the District, the Trustee, and others, during which the contents of the Official Statement and related matters were discussed, and based on such counsel’s participation in the above-mentioned conferences (which did not extend beyond the date of the Official Statement), and in reliance thereon, on oral and written statements and representations of the District and others and on the records, documents, certificates opinions and matters described therein, such counsel advises the Underwriter and the District as a matter of fact and not opinion that, during the course of its role as Disclosure Counsel with respect to the Certificates, no facts came to the attention of such counsel’s attorneys rendering legal services in connection with such role which caused such counsel to believe that the Official Statement as of its date and

as of the Closing Date (except for any CUSIP numbers, financial, accounting, statistical, economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about feasibility, valuation, appraisals, absorption, real estate or environmental matters or relationship among the parties, any management discussions and analysis, any statements about compliance with prior continuing disclosure undertakings, or any information about the Certificate Insurer, the Insurance Policy, the Reserve Insurer or the Reserve Policy, book-entry, tax exemption, The Depository Trust Company, Cede & Co., ratings, rating agencies, municipal advisors, underwriters, underwriting, the book-entry system or litigation, and Appendices [ ], [ ], [ ], [ ] and [ ], included or referred to therein or omitted therefrom, which such counsel expressly excludes from the scope of its letter and as to which such counsel need express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ix) a certificate of the Trustee dated the Closing Date, signed by a duly authorized officer of the Trustee, to the effect that (i) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States, having the full power and being qualified to enter into and perform its duties under the Trust Agreement and the Assignment Agreement and to execute and deliver the Certificates to the Underwriter pursuant to the Trust Agreement, (ii) when delivered to and paid for by the Underwriter on the Closing Date, the Certificates will have been duly executed and delivered by the Trustee, (iii) the execution and delivery of the Trust Agreement and the Assignment Agreement, and compliance with the provisions on the Trustee's part contained therein, will not conflict in any material respect with or constitute a breach of or default under any law, administrative regulation, judgment, decree, material agreement, or other material instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or blue sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Trust Agreement under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Trust Agreement, and (iv) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental or public entity pending or, to the best knowledge of the Trustee, threatened against the Trustee, affecting the existence of the Trustee, or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the execution and delivery of the Certificates, or in any way contesting or affecting the validity or enforceability of the Trust Agreement and the Assignment Agreement, or contesting the powers of the Trustee or its authority to enter into, adopt or perform its obligations under any of the foregoing to which it is a party, wherein an unfavorable decision, ruling or finding would materially adversely

affect the validity or enforceability of the Trust Agreement or the Assignment Agreement or the ability of the Trustee to perform its obligations thereunder;

(x) a certificate of the District, dated the Closing Date, signed by an authorized officer thereof, to the effect that (i) the Authorized Officers of the District (as defined in the District Resolution) are authorized to execute this Purchase Agreement, (ii) the representations and warranties of the District contained in the Purchase Agreement and in the Certificate Documents to which it is a party are true and correct in all material respects as of the Closing Date as if made on the Closing Date, and (ii) to the District's knowledge, no event affecting the District has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date the statements or information (except for statements and information regarding DTC, the Certificate Insurer, Insurance Policy, the Reserve Insurer or the Reserve Policy) contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information (except for statements and information regarding DTC, the Certificate Insurer, the Insurance Policy, the Reserve Insurer or the Reserve Policy) therein not misleading in any material respect;

(xi) a certificate of the Corporation, dated the Closing Date, signed by an authorized officer thereof, to the effect that (i) the Corporation is a nonprofit public benefit corporation duly organized and validly existing under the laws of the State of California, (ii) the Corporation has all necessary power and authority and has taken all official actions necessary to adopt the resolution of its Board of Directors authorizing the execution and delivery of the Certificate Documents to which the District is a party and other matters pertaining thereto, to execute, deliver and perform its duties under each of the Certificate Documents to which it is a party, and each of the Certificate Documents to which the Corporation is a party has been duly authorized, executed and delivered by the Corporation and, assuming the due authorization, execution and delivery by the other respective parties thereto, will constitute legally valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or limiting creditors' rights generally or principles of equity involving judicial discretion, (iii) the Corporation is not in material breach of, or default under, any applicable constitutional provision, law or administrative rule or regulation of the State of California or the United States of America material to the conduct of its functions or any applicable judgment or decree or any loan agreement, indenture, bond, certificate, note, resolution or other agreement or instrument to which the Corporation is a party or to which the Corporation or any of its properties is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any of the foregoing; and the authorization, execution and delivery of the Certificate Documents to which the Corporation is a party, and compliance with the provisions thereof, will not conflict with or constitute a breach of or default under any constitutional provision, law,

administrative rule or regulation, or any judgment, decree, license, permit, loan agreement, indenture, bond, certificate, note, resolution, agreement or other instrument to which the Corporation (or any of its officers in their respective capacities as such) is subject or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument except as may be provided by the Certificate Documents, (iv) there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory entity having jurisdiction over the Corporation required for the execution and delivery of the Certificate Documents to which the Corporation is a party, or the consummation by the Corporation of the transactions contemplated in the Official Statement or in the Certificate Documents, which has not been duly obtained or made on or prior to the date hereof, (v) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental or public entity pending or, to the knowledge of the Corporation, threatened against the Corporation which affects or seeks to prohibit, restrain or enjoin the execution or delivery of the Certificates or any of the Certificate Documents, or contesting the validity of the Certificates or any of the Certificate Documents or the powers of the Corporation to enter into or perform its obligations under the Certificate Documents to which it is a party or the existence or powers of the Corporation, and (vi) no event affecting the Corporation has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing Date the statements or information regarding the Corporation contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein regarding the Corporation not misleading in any material respect;

(xii) a certificate of the Certificate Insurer, dated the Closing Date, signed by an authorized officer thereof as to such matters as the Underwriter may reasonably request;

(xiii) a certificate of the Reserve Insurer, dated the Closing Date, signed by an authorized officer thereof as to such matters as the Underwriter may reasonably request;

(xiv) a tax certificate of the District relating to the Certificates in form and substance acceptable to Special Counsel;

(xv) a certified copy of the District Resolution authorizing the execution and delivery of the Certificate Documents to which the District is a party and other matters pertaining thereto;

(xvi) a certified copy of the Resolution of the governing board of the Corporation authorizing the execution and delivery of the Certificate Documents to which the Corporation is a party and other matters pertaining thereto;

(xvii) a copy of the Certificate of Status issued by the Secretary of State of the State of California, a certified copy of the articles of incorporation of the Corporation, and a certified copy of the Bylaws of the Corporation;

(xviii) a certified copy of the general resolution of the Trustee authorizing the execution and delivery of the Certificate Documents to which the Trustee is a party;

(xix) evidence that any ratings described in the Official Statement are in full force and effect as of the Closing Date;

(xx) a copy of the Notices of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855 of the California Government Code;

(xxi) evidence of arrangements for the issuance of a binder for a CLTA or ALTA title insurance policy or policies (with western regional exceptions) providing the title insurance required by the Lease Agreement, in form and substance acceptable to the Certificate Insurer and the Underwriter;

(xxii) a copy of the Insurance Policy issued by the Certificate Insurer, which policy guarantees the payment when due of the principal and interest evidenced by the Certificates, as described in the Official Statement;

(xxiii) a copy of the Reserve Policy issued by the Reserve Insurer, which policy will be in an amount no less than the Reserve Requirement as of the Closing Date;

(xxiv) evidence of the insurance policy or policies maintained by the District as required pursuant to Section 5.01 of the Lease Agreement;

(xxv) an opinion of Dannis Woliver Kelley, as counsel to the Underwriter, dated the Closing Date and addressed to the Underwriter in form reasonably satisfactory to the Underwriter; and

(xxvi) such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Special Counsel may reasonably request to evidence compliance by the Trustee, the Certificate Insurer, the Corporation and the District with legal requirements, the truth and accuracy, as of the Closing Date, of the representations of the Trustee, the Certificate Insurer, the Corporation and the District, and the due performance or satisfaction by the Trustee, the Certificate Insurer, the Corporation and the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Trustee, the Corporation and the District.

(b) If the District shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted herein, all obligations of the Underwriter hereunder may be

terminated by the Underwriter at, or at any time prior to, the Closing Date by written notice to the District and the Underwriter shall have no further obligations hereunder.

**Section 7. Fees and Expenses.** Except as provided in the following paragraph, the District shall pay all costs and expenses incurred in connection with or relating to the execution and sale of the Certificates, including but not limited to (a) the fees and expenses of the District's Municipal Advisor, (b) the fees and expenses of Orrick, Herrington & Sutcliffe LLP, for services rendered as Special Counsel and as Disclosure Counsel, (c) the fees and expenses of counsel to the District and the Corporation, (d) all expenses and costs of the District incident to the performance of its obligations hereunder and in connection with the authorization, execution and sale of the Certificates, (e) the costs of printing, distributing and delivering the Preliminary Official Statement and the Official Statement, (f) the fees and expenses of the Trustee and its counsel, (g) rating agency fees for rating the Certificates, (h) the fees and expenses of the Certificate Insurer, (i) the fees and expenses of the Reserve Insurer, and (j) the fees and expenses relating to title insurance.

The Underwriter shall pay any advertising expenses incurred in connection with the public offering of the Certificates, the fees of the California Debt and Investment Advisory Commission, CUSIP Service Bureau fees, fees of the Municipal Securities Rulemaking Board and, except as provided in the preceding paragraph, all other expenses incurred by the Underwriter in connection with the public offering and sale of the Certificates, including the fees and disbursements of its counsel.

The District acknowledges that it has had an opportunity, with such advisors as it may deem appropriate, if any, to review the fees and expenses being incurred as part of the execution and delivery of the Certificates.

**Section 8. Notices.** All notices, certificates and other communications provided for hereunder shall be in writing and, if to the District, mailed, certified, return receipt requested, or delivered to it, addressed to it at:

Marysville Joint Unified School District  
1919 B Street  
Marysville, California 95901  
Attention: Superintendent

and if to the Underwriter, mailed, certified, return receipt requested, or delivered to it, addressed to it at:

D.A. Davidson & Co.  
3017 Douglas Blvd., Suite 300  
Roseville, California 95661  
Attention: Richard Han, Managing Director

or such other address as shall be designated by any such party in a written notice to each of the other parties.

**Section 9. Survival of Representations, Warranties and Agreements.** All representations, warranties and agreements of the District in this Purchase Agreement shall remain

operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of the Certificates hereunder.

**Section 10. Electronic Signature.** Each of the parties hereto agrees that the transaction consisting of this Purchase Agreement may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent, that if such party signs this Purchase Agreement using an electronic signature, it is signing, adopting and accepting this Purchase Agreement and that signing this Purchase Agreement using an electronic signature is the legal equivalent of having placed the undersigned officer's handwritten signature on this Purchase Agreement on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Purchase Agreement in a usable format.

**Section 11. Applicable Law.** This Purchase Agreement shall be interpreted, governed and enforced in accordance with the laws of the State of California.

**Section 12. Effectiveness.** This Purchase Agreement shall become effective upon its execution by duly authorized officers of the Underwriter and the District and shall be valid and enforceable from and after the time of such execution.

[Remainder of page left intentionally blank.]

**Section 13. Counterparts.** This Purchase Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**D.A. DAVIDSON & CO.**

By: \_\_\_\_\_  
Authorized Representative

ACCEPTED:

**MARYSVILLE JOINT UNIFIED  
SCHOOL DISTRICT**

Date | Time: \_\_\_\_\_

By: \_\_\_\_\_

**EXHIBIT A**  
**FORM OF OPINION**  
**OF COUNSEL TO THE DISTRICT**

[\_\_\_\_\_], 2021

Marysville Joint Unified School District  
Marysville, California

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

D.A. Davidson & Co.  
Roseville, California

[\_\_\_\_\_]  
New York, New York

Re: Marysville Joint Unified School District  
Certificates of Participation (2021 Energy Efficiency Projects)

Ladies and Gentlemen:

We have acted as counsel to the Marysville Joint Unified School District (the “District”), in connection with the execution and delivery of \$[\_\_\_\_\_] aggregate principal amount of Marysville Joint Unified School District Certificates of Participation (2021 Energy Efficiency Projects) (the “Certificates”).

In connection with rendering this opinion, we have examined documents, obtained certificates and undertaken other actions as we have determined necessary to render this opinion. We have examined the following documents: a Lease Agreement, dated as of [\_\_\_\_\_] 1, 2021 (the “Lease”), by and between the District and the Marysville Joint Unified School District Financing Corporation (the “Corporation”); a Ground Lease, dated as of [\_\_\_\_\_] 1, 2021 (the “Ground Lease”), by and between the District and the Corporation; a Trust Agreement, dated as of [\_\_\_\_\_] 1, 2021 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the Corporation and the District; a Continuing Disclosure Certificate, dated [\_\_\_\_\_], 2021 (the “Continuing Disclosure Certificate”), executed by the District; a Certificate Purchase Agreement, dated [\_\_\_\_\_], 2021 (the “Purchase Agreement”), by and between the District and D.A. Davidson & Co. (the “Underwriter”); a Resolution adopted by the District Board of Trustees on January 26, 2021 (the “Resolution”) relating to the Certificates; an Official Statement, dated [\_\_\_\_\_], 2021 (the “Official Statement”), which describes, among other things, the Certificates and the District; the Certificates; and the certificates and certifications of the District, the Trustee, the Corporation and others as to certain factual matters and such other documents and matters to the extent we deemed necessary to render the opinions set forth herein.

Based on the foregoing, we are of the opinion that:

1. The District is a school district and political subdivision duly organized and validly existing under the Constitution and laws of the State of California with full legal right, power and authority to execute, deliver and perform all of its obligations under the Certificates, and to participate in the transactions contemplated by the Certificates.

2. The Resolution to approve the execution and delivery of the Certificates was duly adopted at a meeting of the Board of Trustees of the District, which meeting was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the Resolution is in full force and effect and has not been modified, amended or rescinded.

3. To the best of our knowledge, without independent investigation, and in sole reliance on representations made by the District, the Certificates have been duly executed and delivered by the District to the other parties to the Certificates, and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the District enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

4. To the best of our knowledge, the Certificates have been duly authorized by all necessary action and will not contravene any order or decree of any court, tribunal governmental authority, bureau, or agency.

5. There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or public body pending with respect to which the District has been served or, to the best of our knowledge, threatened against or affecting the District, (i) which would materially adversely impact the District's ability to complete the transactions contemplated by the Certificates, or restrain or enjoin the payment of Base Rental Payments due under the Certificates, (ii) contesting the existence of the District, or the title to the office of the officers of the District, or the power of the District to enter into the Certificates, or (iii) in any way contesting or affecting the validity of the Certificates or the transactions described in and contemplated thereby.

The opinions set forth above are further qualified as follows:

(a) Our opinions are limited to matters expressly set forth herein and no opinion is to be implied or may be inferred beyond the matters expressly so stated;

(b) Our opinions are limited to all referenced documents as they appear in their final form and we express no opinion as to any documents in a preliminary form or to any final documents or portion(s) thereof, which materially rely or make reference to documents in a preliminary form;

(c) We are licensed to practice law in the State of California. Accordingly, the foregoing opinions only apply insofar as the laws of the State of California may be concerned. We express no opinion with respect to the laws of any other jurisdiction;

(d) We express no opinion as to the tax issues regarding the agreements;

(e) We express no opinion as to the state or quality of title to any of the real property described in the agreements, nor do we express any opinion as to the accuracy or sufficiency of the description of any such property contained therein; and

(f) We disclaim any obligation to update this opinion for events occurring after the date hereof.

**EXHIBIT B**  
**FORM OF OPINION**  
**OF COUNSEL TO THE CORPORATION**

[\_\_\_\_\_], 2021

Marysville Joint Unified School District Financing Corporation  
Marysville, California

Marysville Joint Unified School District  
Marysville, California

The Bank of New York Mellon Trust Company, N.A.  
Los Angeles, California

D.A. Davidson & Co.  
Roseville, California

[\_\_\_\_\_]  
New York, New York

Re: Marysville Joint Unified School District  
Certificates of Participation (2021 Energy Efficiency Projects)

Ladies and Gentlemen:

We have acted as counsel to the Marysville Joint Unified School District Financing Corporation (the “Corporation”) in connection with the execution and delivery of \$[\_\_\_\_\_] aggregate principal amount of Marysville Joint Unified School District Certificates of Participation (2021 Energy Efficiency Projects) (the “Certificates”).

In connection with rendering this opinion, we have examined documents, obtained certificates and undertaken other actions as we have determined necessary to render this opinion. We have examined the following documents: a Resolution of the Board of Directors of the Corporation, adopted on [January 26], 2021 (the “Resolution”) relating to the Certificates; the Ground Lease, dated as of [\_\_\_\_\_] 1, 2021 (the “Ground Lease”), by and between the Marysville Joint Unified School District (the “District”) and the Corporation; the Lease Agreement, dated as of [\_\_\_\_\_] 1, 2021 (the “Lease Agreement”), by and between the District and the Corporation; the Assignment Agreement, dated as of [\_\_\_\_\_] 1, 2021 (the “Assignment Agreement”), by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”); the Trust Agreement, dated as of [\_\_\_\_\_] 1, 2021 (the “Trust Agreement”), by and among the District, the Corporation and Trustee; an Official Statement, dated [\_\_\_\_\_] 1, 2021 (the “Official Statement”), which describes, among other things, the Certificates and the Corporation; the Certificates; certificates and certifications of the District, the Trustee, the Corporation and others as to certain factual matters; and such other documents and matters to the extent we deemed necessary to render the opinions set forth herein.

Based on the foregoing, we are of the opinion that:

1. The District is a school district and political subdivision duly organized and validly existing under the Constitution and laws of the State of California with full legal right, power and authority to execute, deliver and perform all of its obligations under the Certificates, and to participate in the transactions contemplated by the Certificates.

2. The Resolution to approve the execution and delivery of the Certificates was duly adopted at a meeting of the Board of Trustees of the District, which meeting was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the Resolution is in full force and effect and has not been modified, amended or rescinded.

3. To the best of our knowledge, without independent investigation, and in sole reliance on representations made by the District, the Certificates have been duly executed and delivered by the District to the other parties to the Certificates, and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the District enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

4. To the best of our knowledge, the Certificates have been duly authorized by all necessary action and will not contravene any order or decree of any court, tribunal governmental authority, bureau, or agency.

5. There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court or public body pending with respect to which the District has been served or, to the best of our knowledge, threatened against or affecting the District, (i) which would materially adversely impact the District's ability to complete the transactions contemplated by the Certificates, or restrain or enjoin the payment of Base Rental Payments due under the Certificates, (ii) contesting the existence of the District, or the title to the office of the officers of the District, or the power of the District to enter into the Certificates, or (iii) in any way contesting or affecting the validity of the Certificates or the transactions described in and contemplated thereby.

The opinions set forth above are further qualified as follows:

(a) Our opinions are limited to matters expressly set forth herein and no opinion is to be implied or may be inferred beyond the matters expressly so stated;

(b) Our opinions are limited to all referenced documents as they appear in their final form and we express no opinion as to any documents in a preliminary form or to any final documents or portion(s) thereof, which materially rely or make reference to documents in a preliminary form;

(c) We are licensed to practice law in the State of California. Accordingly, the foregoing opinions only apply insofar as the laws of the State of California may be concerned. We express no opinion with respect to the laws of any other jurisdiction;

(d) We express no opinion as to the tax issues regarding the agreements;

(e) We express no opinion as to the state or quality of title to any of the real property described in the agreements, nor do we express any opinion as to the accuracy or sufficiency of the description of any such property contained therein; and

(f) We disclaim any obligation to update this opinion for events occurring after the date hereof.

**EXHIBIT C**

\$\_[\_\_\_\_\_]

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
CERTIFICATES OF PARTICIPATION (2021 ENERGY EFFICIENCY PROJECTS)**

\$\_[\_\_\_\_\_] Serial Certificates

<u>Maturity Date (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>10% Test Satisfied*</u>	<u>10% Test Not Satisfied</u>	<u>Subject to Hold-The- Offering- Price Rule</u>
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\$\_[\_\_\_\_\_] [\_\_\_\_\_] % Term Certificates due June 1, 20[\_\_\_] Yield [\_\_\_\_\_] % Price [\_\_\_\_\_] %

**[10% Test Satisfied\*][10% Test Not Satisfied][Subject to Hold-The-Offering Price Rule]**

\$\_[\_\_\_\_\_] [\_\_\_\_\_] % Term Certificates due June 1, 20[\_\_\_] Yield [\_\_\_\_\_] % Price [\_\_\_\_\_] %

**[10% Test Satisfied\*][10% Test Not Satisfied][Subject to Hold-The-Offering Price Rule]**

\* At the time of the execution of this Purchase Agreement and assuming orders are confirmed immediately after the execution of this Purchase Agreement.

(c) Yield to call at par on June 1, 20[\_\_\_].

**PREPAYMENT**

## EXHIBIT D

### CERTIFICATE OF THE UNDERWRITER

D.A. Davidson & Co. has acted as the Underwriter in connection with the execution and delivery by the Marysville Joint Unified School District (the “Issuer”) of its \$[\_\_\_\_\_] Certificates of Participation (2021 Energy Efficiency Projects) (the “Certificates”), being issued on the date hereof, and the Underwriter hereby certifies and represents the following:

#### Issue Price.

#### **[NOT USING HOLD THE PRICE]**

1. **[10% of each Maturity sold BY CLOSING]** As of the date hereof, the first price or yield at which at least 10% of each Maturity of the Certificates was sold by the Underwriter to the Public was the [Initial Offering Price/**OR IF ACTUAL SALES AT OTHER THAN IOP** price or yield set forth on Schedule 1 hereto.]

OR

1. **[LESS THAN 10% OF CERTAIN MATURITIES SOLD BY CLOSING]** As of the date hereof, other than the Certificates listed on Schedule 1 hereto as undersold maturities (the “Undersold Maturities”), the first price or yield at which at least 10% of each Maturity of the Certificates was sold by the Underwriter to the Public was the **[Initial Offering Price/OR IF ACTUAL SALES AT OTHER THAN IOP price set forth on Schedule 1 hereto.]**

2. With respect to the Undersold Maturities, the Underwriter agrees to notify the Issuer in writing of the first price or yield at which at least 10% of each such Undersold Maturity is ultimately sold by the Underwriter to the Public as soon as practicable after such applicable sales have occurred. If all of an Undersold Maturity is sold to the Public but not more than 10% of the Undersold Maturity is sold by the Underwriter to the Public at any particular price or yield, the Underwriter agrees to notify the Issuer in writing of the amount of the Undersold Maturity sold by the Underwriter to the Public at each of the respective prices or yields at which the Undersold Maturity is sold to the Public.

#### **[USING HOLD THE PRICE]**

1. As of [SALE DATE], 2021 (the “Sale Date”), all of the Certificates were the subject of a bona fide offering to the Public at the Initial Offering Price.

[2. **[USING HOLD THE PRICE FOR A PORTION OF THE ISSUE]** As of the date hereof, other than the Certificates listed on Schedule 1 hereto as undersold maturities (the “Undersold Maturities”), the first price or yield at which at least 10% of each Maturity of the Certificates was sold by the Underwriter to the Public was the respective [Initial Offering Price **OR IF ACTUAL SALES AT OTHER THAN IOP** price set forth on Schedule 1 hereto]. Attached hereto as Schedule 2 is a copy of the final pricing wire for each Undersold Maturity or an equivalent communication. With respect to the Undersold Maturities, as agreed to in writing by the Underwriter in the Purchase Agreement between the Issuer and the Underwriter dated

[SALE DATE], 2021, the Underwriter has not offered or sold any of the Undersold Maturities to any person at a price higher than or a yield lower than the respective Initial Offering Price for a period of time starting on the Sale Date and ending on the earlier of (a) the date on which 10% of the respective Undersold Maturity was sold at one or more prices no higher than or yields no lower than the Initial Offering Price by the Underwriter or (b) the close of the fifth business day following the Sale Date.

2. **[USING HOLD THE PRICE FOR 100% OF THE ISSUE].** As agreed to in writing by the Underwriter in the Purchase Agreement between the Issuer and the Underwriter dated [SALE DATE], 2021, the Underwriter has not offered or sold any Certificate to any person at a price higher than or a yield lower than the respective Initial Offering Price for a period of time starting on the Sale Date and ending on the earlier of (a) the date on which 10% of the respective Undersold Maturity was sold at one or more prices no higher than or yields no lower than the Initial Offering Price by the Underwriter or (b) the close of the fifth business day following the Sale Date. Attached hereto as Schedule 1 is a copy of the final pricing wire for the Certificates or an equivalent communication.]

#### Qualified Guarantee.

The Underwriter has calculated that the present value of the amounts paid to [INSURER] (“[ ]”) to obtain the municipal bond insurance policy and municipal bond debt service reserve insurance policy (collectively, the “Policies”) securing the Certificates is less than the present value of the debt service reasonably expected to be saved as a result of having the Policies, using as the discount factor for this purpose the expected Yield with respect to the Certificates treating the fees paid as interest with respect to the Certificates.

To the best of the Underwriter’s knowledge, the fees paid to [ ] to obtain the Policies were determined in arm’s-length negotiations and were required as a condition to the issuance by [ ] of the Policies.

#### Reasonably Required Reserve Fund.

The funding of the Reserve Fund for the Certificates with a municipal bond debt service reserve insurance policy issued by [ ] is reasonably required; it was a material factor in marketing the Certificates at yields (given other characteristics of the Certificates) comparable to that of similar issues of governmental obligations; and it is reasonable and customary in marketing similar issues of governmental obligations.

#### Defined Terms.

(a) Initial Offering Price means the prices or yields set forth on the inside cover page of the Issuer’s Official Statement in respect of such Certificates dated [SALE DATE], 2021.

(b) Maturity means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter.

(d) Related Party means any entity if an Underwriter and such entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(e) Underwriter means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Certificates to the Public).

The Underwriter understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and Agreement to which this certificate is included as Exhibit A and with respect to compliance with the federal income tax rules affecting the Certificates, and by Orrick, Herrington & Sutcliffe LLP, in connection with its opinion as to the exclusion of interest on the Certificates from federal gross income, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates. The Underwriter is certifying only as to facts in existence on the date hereof. Nothing herein represents the Underwriter's interpretation of any laws; in particular the Treasury Regulations under the Internal Revenue Code of 1986, or the application of any laws to these facts. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein.

**ISSUE PRICES**

**[IF USING ACTUAL SALES AND THE IOP IS NOT THE ISSUE PRICE FOR EACH MATURITY]**

**First Price of At Least 10% (ONLY APPLICABLE IF PRICE IS NOT THE IOP)**

**Undersold Maturities**

**[IF USING HOLD THE PRICE FOR A PORTION]**

**First Price of At Least 10% (Only Applicable if Not IOP)**

**Initial Offering Prices of Undersold Maturities**

**SCHEDULE 2**

**[SEE ATTACHED FINAL PRICING WIRE FOR EACH UNDERSOLD  
MATURITY OR AN EQUIVALENT COMMUNICATION]**

**EXHIBIT E**

**FORM OF OPINION OF COUNSEL TO THE TRUSTEE**

[\_\_\_\_\_], 2021

Marysville Joint Unified School District Financing Corporation  
Marysville, California

Marysville Joint Unified School District  
Marysville, California

D.A. Davidson & Co.  
Roseville, California

[\_\_\_\_\_]  
New York, New York

Re: Marysville Joint Unified School District  
Certificates of Participation (2021 Energy Efficiency Projects)

Ladies and Gentlemen:

I have acted as special counsel to The Bank of New York Mellon Trust Company, N.A. (the “Trustee”) in the capacity as (i) trustee under the Trust Agreement, dated as of [\_\_\_\_\_] 1, 2021 (the “Trust Agreement”) by and among the Marysville Joint Unified School District Financing Corporation (the “Corporation”), the Marysville Joint Unified School District (the “District”) and the Trustee, and (ii) trustee under the Assignment Agreement, dated as of [\_\_\_\_\_] 1, 2021 (the “Assignment Agreement”) by and between the Corporation and the Trustee, with regard to the above-referenced certificates (the “Certificates”). Except as set forth herein, capitalized terms used in this opinion letter are defined as set forth in the Trust Agreement. The Trust Agreement and the Assignment Agreement are hereinafter referred to as the “Trustee Documents”.

In my capacity as counsel to the Trustee, I have examined originals or copies identified to my satisfaction of: (i) the Articles of Association and By-Laws of the Trustee, (ii) the Trust Agreement, (iii) the Assignment Agreement, and (iv) such other records, certificates and documents as I have considered necessary or appropriate for the purpose of the opinion hereinafter rendered.

In rendering this opinion, I have relied upon the facts and information obtained from the records of the Trustee, officers of the Trustee, and other sources believed by me to be reliable, and have not undertaken to independently verify the accuracy of the factual matters represented, warranted, or certified in such documents. I have assumed the genuineness of all signatures other than the Trustee’s, the authenticity of documents, certificates and records submitted to me as originals, the conformity to the originals of all documents, certificates and records submitted to me as copies, the legal capacity of all natural persons executing documents other than the

Trustee's, certificates and records, and the completeness and accuracy as of the date of this opinion letter of the information contained in such documents, certificates and records, which assumptions I have not independently verified. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions.

Based upon and subject to the foregoing and subject to the qualifications set forth below, I am of the opinion that:

- (a) The Trustee is a national banking association, duly organized and validly existing under the laws of the United States of America, having full corporate power and being qualified to enter, accept and administer the trust created under the Trustee Documents and to execute and deliver the Certificates;
- (b) The Trustee Documents have been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery by the other parties thereto, the Trustee Documents constitute the valid and binding obligations of the Trustee enforceable in accordance with their respective terms, except as such enforcement thereof may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance, and other similar laws affecting the rights and remedies of creditors generally, and by the effect of general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, whether considered in a proceeding at law or in equity;
- (c) The execution and delivery of the Certificates have been duly authorized by the Trustee and the Trustee has duly executed and delivered the Certificates in accordance with the Trust Agreement;
- (d) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the execution and delivery of the Trustee Documents, or the consummation of the transactions contemplated by the Trustee Documents; and
- (e) The execution and delivery by the Trustee of the Trustee Documents and compliance with the terms thereof will not conflict in any material respect with, or result in a violation or breach of, or constitute a default under, any material agreement or material instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty or agreement is made with respect to any federal or State securities or blue sky laws or regulations).

I express no opinion as to any matter other than as expressly set forth above, and, in conjunction therewith, I specifically express no opinion as to the status of the Certificates or the interest thereon under any federal securities laws, including but not limited to the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended, or any state securities or "Blue Sky" law, or any federal, state or local tax law.

This opinion is as of the date hereof, and I have undertaken no, and hereby disclaim any, obligation to advise you of any change in any matter set forth herein even though the changes may affect a legal analysis, conclusion or an information confirmation in this opinion letter. Further, this opinion neither implies, nor should it be viewed to imply, an approval or recommendation of any investment in any Certificate.

I express no opinion as to the effect of any law other than the law of California and the federal laws of the United States of America on the matters referred to herein, in each case as they exist on the date hereof. I express no opinion with respect to the laws, regulations, or ordinances of any county, municipal or other local governmental agency.

This opinion is furnished by me solely for your benefit. This opinion letter may be relied upon by you only in connection with the transaction described in the initial paragraph of this opinion letter and may not be used or relied upon by you for any other purpose or by any other person for any purpose whatsoever without, in each instance, my prior written consent; provided, however, a copy may be included in the transcript of the proceedings for the Certificates.

CONTINUING DISCLOSURE  
CERTIFICATE

## CONTINUING DISCLOSURE CERTIFICATE

**THIS CONTINUING DISCLOSURE CERTIFICATE** (this “Disclosure Certificate”) is executed and delivered by the Marysville Joint Unified School District (the “District”) in connection with the execution and delivery of \$\_\_\_\_\_ aggregate principal amount of the Marysville Joint Unified School District Certificates of Participation (2021 Energy Efficiency Projects) (the “Certificates”). The Certificates are being executed and delivered pursuant to the Trust Agreement, dated as of [\_\_\_\_\_] 1, 2021 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the Marysville Joint Unified School District Financing Corporation and the District. The District covenants and agrees as follows:

**SECTION 1. Purpose of the Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

**SECTION 2. Definitions.** In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“**Beneficial Owner**” shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries).

“**Dissemination Agent**” shall mean Isom Advisors, a Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“**Financial Obligation**” shall mean, for purposes of the Listed Events set out in Section 5(a)(10) and Section (5)(b)(8), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“**Holder**” shall mean the person in whose name any Certificate shall be registered.

“**Listed Events**” shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission,

filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“**Official Statement**” shall mean the Official Statement, dated \_\_\_\_\_, 2021, relating to the Certificates.

“**Participating Underwriter**” shall mean the original underwriter(s) of the Certificates required to comply with the Rule in connection with execution and delivery of the Certificates.

“**Rule**” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### **SECTION 3. Provision of Annual Reports.**

(a) The District shall, or shall cause the Dissemination Agent to, not later than the April 15 next following the end of the District’s fiscal year (so long as the District’s fiscal year ends June 30), commencing with the report for fiscal year 2020-21 (which is due not later than April 15, 2022), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Certificates by name and CUSIP number.

(b) Not later than 15 business days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send or cause to be sent to the MSRB a notice in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the District) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

**SECTION 4. Content of Annual Reports.** The District’s Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District’s audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and

the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the District, the Annual Report shall also include the following:

- (1) The District's adopted annual budget for the then-current fiscal year or a summary thereof;
- (2) The District's most recent interim financial report submitted to the District's governing board in accordance with Education Code Section 42130 (or its successor statutory provision); and
- (3) The District's average daily attendance for the last completed fiscal year.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been made available to the public on the MSRB's website. The District shall clearly identify each such other document so included by reference.

#### **SECTION 5. Reporting of Significant Events.**

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates in a timely manner not later than ten business days after the occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) Substitution of credit or liquidity providers, or their failure to perform;
- (5) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
- (6) Tender offers;
- (7) Defeasances;
- (8) Rating changes;
- (9) Bankruptcy, insolvency, receivership or similar event of the District; or
- (10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material, in a timely manner not later than ten business days after the occurrence of the event:

- (1) Unless described in Section 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Certificates or other material events affecting the tax status of the Certificates;
- (2) Modifications to rights of holders of the Certificates;
- (3) Optional, unscheduled or contingent Certificate calls;
- (4) Release, substitution, or sale of property securing repayment of the Certificates;
- (5) Non-payment related defaults;
- (6) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;
- (7) Appointment of a successor or additional trustee or the change of name of a trustee; or
- (8) Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Certificate holders.

(c) Upon the occurrence of a Listed Event described in Section 5(a) of this Disclosure Certificate, or upon the occurrence of a Listed Event described in Section 5(b) of this Disclosure Certificate which the District determines would be material under applicable federal securities laws, the District shall within ten business days of occurrence file a notice of such occurrence with

the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in Section 5(b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Certificates pursuant to the Trust Agreement.

(d) The District intends to comply with the Listed Events described in Section 5(a)(10) and Section 5(b)(8), and the definition of “Financial Obligation” in Section 1, with reference to the Rule, any other applicable federal securities laws and the guidance provided by the Securities and Exchange Commission in Release No. 34-83885 dated August 20, 2018 (the “2018 Release”), and any further amendments or written guidance provided by the Securities and Exchange Commission or its staff with respect the amendments to the Rule effected by the 2018 Release.

**SECTION 6. Format for Filings with MSRB.** Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

**SECTION 7. Termination of Reporting Obligation.** The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final principal payment date of the Certificates, the District shall give notice of such termination in a filing with the MSRB.

**SECTION 8. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc.

**SECTION 9. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the District with respect to the Certificates, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Certificates.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**SECTION 10. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

**SECTION 11. Default.** In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Yuba or in U.S. District Court in or nearest to the County of Yuba. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

**SECTION 12. Electronic Signature.** Each of the parties hereto agrees that the transaction consisting of this Disclosure Certificate may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent, that if such party signs this Disclosure Certificate using an electronic signature, it is signing, adopting and accepting this Disclosure Certificate and that signing this Disclosure Certificate using an electronic signature is the legal equivalent of having placed the undersigned officer's handwritten signature on this Disclosure Certificate on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Disclosure Certificate in a usable format

**SECTION 13. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2021

**MARYSVILLE JOINT UNIFIED  
SCHOOL DISTRICT**

By: \_\_\_\_\_

ACCEPTED AND AGREED TO:

**ISOM ADVISORS, A DIVISION OF URBAN  
FUTURES, INC.,  
as Dissemination Agent**

By: \_\_\_\_\_  
Authorized Signatory

**CONTINUING DISCLOSURE EXHIBIT A**

**FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Marysville Joint Unified School District  
Name of Issue: Marysville Joint Unified School District Certificates of Participation  
(2021 Energy Efficiency Projects)  
Date of Delivery: \_\_\_\_\_, 2021

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates as required by Section 4 of the Continuing Disclosure Certificate of the District, dated the Date of Delivery. [The District anticipates that the Annual Report will be filed by \_\_\_\_\_.]

Dated: \_\_\_\_\_

**MARYSVILLE JOINT UNIFIED  
SCHOOL DISTRICT**

By: \_\_\_\_\_

# PRELIMINARY OFFICAL STATEMENT

NEW ISSUE  
FULL BOOK-ENTRY

RATINGS: S&P (insured): “[\_]”  
S&P (underlying): “[\_]”  
(See “RATINGS” herein)

*[In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each Base Rental Payment designated as and constituting interest paid by the District under the Lease Agreement and received by the Owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Special Counsel, interest evidenced by the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Certificates, or the amount, accrual or receipt of the portion of each Base Rental Payment constituting interest. See “TAX MATTERS.”]*

\$\_[\_\_\_\_\_]\*

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
CERTIFICATES OF PARTICIPATION  
(2021 ENERGY EFFICIENCY PROJECTS)**

**Dated: Date of Delivery**

**Due: June 1, as described herein**

This cover page contains information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. Capitalized terms used in this cover page shall have the meanings given such terms herein.

The Marysville Joint Unified School District Certificates of Participation (2021 Energy Efficiency Projects), in the aggregate principal amount of \$\$\_[\_\_\_\_\_] (the “Certificates”), evidence direct, fractional undivided interests of the Owners thereof in certain Base Rental Payments (which include principal components and interest components) to be made by the Marysville Joint Unified School District (the “District”) for the use of certain real property and the improvements thereon (the “Property”) pursuant to a Lease Agreement, dated as of [\_\_\_\_\_] 1, 2021 (the “Lease Agreement”), by and between the District, as lessee, and the Marysville Joint Unified School District Financing Corporation (the “Corporation”), as lessor. The proceeds of the Certificates will be used (i) to finance the acquisition, installation and equipping of solar, heating, ventilation and air conditioning and lighting systems throughout the District, (ii) to pay capitalized interest on the Certificates through [\_\_\_\_\_] , (iii) to purchase a debt service reserve policy to satisfy the reserve requirement for the Certificates, and (iv) to pay the costs incurred in connection with the execution and delivery of the Certificates.

The District has covenanted under the Lease Agreement to make all Base Rental Payments and Additional Rental Payments (collectively, the “Rental Payments”) provided for therein, to include all such Rental Payments as a separate line item in its annual budgets, and to make the necessary annual appropriations for all such Rental Payments. The District’s obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the District’s right to use and occupy any portion of the Property. See “RISK FACTORS – Abatement.”

Interest evidenced by the Certificates is payable semiannually on June 1 and December 1 of each year, commencing on June 1, 2021. See “THE CERTIFICATES” herein.

The Certificates will be initially delivered only in book-entry form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of Certificates will not receive certificates representing their ownership interests in the Certificates purchased. The Certificates will be delivered in denominations of \$5,000 or any integral multiple thereof. Principal and interest payments evidenced by the Certificates will be paid directly to DTC by The Bank of New York Mellon Trust Company, N.A., as trustee for the Certificates. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to DTC Participants for subsequent disbursement to the beneficial owners of the Certificates. See “THE CERTIFICATES – Book-Entry Only System” herein.

The Certificates are subject to prepayment prior to maturity as described herein.\* See “THE CERTIFICATES – Prepayment.”

The obligation of the District to make the Base Rental Payments does not constitute a debt of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State of California is obligated to levy or pledge any form of taxation or for which the District or the State of California has levied or pledged any form of taxation.

[The scheduled payment of principal and interest evidenced by the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the execution and delivery of the Certificates by [\_\_\_\_\_].]

[Insert Insurer logo]

See “RISK FACTORS” for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

**MATURITY SCHEDULE – See Inside Cover**

*The Certificates will be offered when, as and if executed, delivered and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Special Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington*

\* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

*& Sutcliffe LLP, as Disclosure Counsel to the District; for the Underwriter by Dannis Woliver Kelley, Long Beach, California; for the District and for the Corporation by Kingsley Bogard, LLP, Folsom, California. It is anticipated that the Certificates in book-entry form will be available for delivery through the facilities of DTC on or about [\_\_\_\_\_], 2021.*

**[DAD logo]**

Dated: \_\_\_\_\_, 2021.

**MATURITY SCHEDULE\***  
**BASE CUSIP†: 574348**

\$[\_\_\_\_\_]\*  
**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**CERTIFICATES OF PARTICIPATION**  
**(2021 ENERGY EFFICIENCY PROJECTS)**

\$\_\_\_\_\_ Serial Certificates

Maturity Date (June 1,)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				

\$ \_\_\_\_\_ % Term Certificates due June 1, 20\_\_ Yield \_\_\_\_\_ % CUSIP Number† \_\_\_\_\_  
 \$ \_\_\_\_\_ % Term Certificates due June 1, 20\_\_ Yield \_\_\_\_\_ % CUSIP Number† \_\_\_\_\_

\* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright © 2021 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Corporation, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**(Yuba and Butte Counties, California)**

**BOARD OF TRUSTEES**

Randy L. Rasmussen (Area 3), *President*  
Gary J. Criddle (Area 2), *Vice President*  
Alisan R. Haste (Area 3), *Clerk*  
Doug F. Criddle (Area 4), *Trustee Representative*  
Jeff D. Boom (Area 4), *Member*  
Frank J. Crawford (Area 2), *Member*  
Randy L. Davis (Area 1), *Member*

**DISTRICT ADMINISTRATORS**

Gary Cena, *Superintendent*  
Penny Lauseng, *Assistant Superintendent, Business Services*  
Ramiro Carreón, *Assistant Superintendent, Personnel Services*

**PROFESSIONAL SERVICES**

**Special Counsel and Disclosure Counsel**

Orrick, Herrington & Sutcliffe LLP  
*Irvine, California*

**Municipal Advisor**

Isom Advisors, a Division of Urban Futures, Inc.  
*Walnut Creek, California*

**Counsel to the District & the Corporation**

Kingsley Bogard, LLP  
*Folsom, California*

**Underwriter's Counsel**

Dannis Woliver Kelley  
*Long Beach, California*

**Trustee**

The Bank of New York Mellon Trust Company, N.A.  
*Los Angeles, California*

This Official Statement does not constitute an offering of any security other than the original execution and delivery of the Certificates. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Certificates are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Certificates in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the execution and delivery of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

[Insurer disclosure to come.]

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” “intend” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices of the Certificates at levels above those that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Certificates to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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## OFFICIAL STATEMENT

\$[\_\_\_\_\_]\*  
**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
CERTIFICATES OF PARTICIPATION  
(2021 Energy Efficiency Projects)**

### INTRODUCTION

This Official Statement (which includes the cover page, inside cover page, and Appendices hereto) (this “Official Statement”), provides certain information concerning the sale and delivery of Marysville Joint Unified School District Certificates of Participation (2021 Energy Efficiency Projects), in the aggregate principal amount of \$[\_\_\_\_\_]\* (the “Certificates”). The Certificates evidence direct, fractional undivided interests of the registered owners (the “Owners”) thereof in certain base rental payments (the “Base Rental Payments”) to be made by the Marysville Joint Unified School District (the “District”) for the use of certain real property and the improvements thereon (the “Property”), as more fully described under the caption “THE PROPERTY” herein. The Property will be leased by the District from the Marysville Joint Unified School District Financing Corporation (the “Corporation”) pursuant to a Lease Agreement, dated as of [\_\_\_\_\_] 1, 2021 (the “Lease Agreement”), by and between the District and the Corporation.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page, and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The sale and delivery of Certificates to potential investors is made only by means of this Official Statement.

#### **The District**

The District, a political subdivision of the State of California, was organized in 1966 under the authority of a majority vote of the qualified electors residing within thirteen area school districts who elected to unify said school districts into a unified school district. The boundaries of the District cover an area of approximately 1,700 square miles of central and northern County of Yuba (“Yuba County”) and a portion of the County of Butte (“Butte County,” and together with Yuba County, the “Counties”), including the City of Marysville and unincorporated portions of Yuba County and Butte County. The District operates fourteen elementary schools, three intermediate schools, two comprehensive high schools, one alternative high school, one community day school, one dependent charter school, one independent study program and nine preschool/day care centers. In addition to the dependent charter school operated by the District, there is currently one independent charter school operating in the District, Paragon Collegiate Academy Charter School. Enrollment was approximately [9,969] students for fiscal year 2019-20 (including the dependent charter school operated by the District) and is projected to be approximately [9,580] students in fiscal year 2020-21 (including the dependent charter school operated by the District).

For more complete information concerning the District, including certain financial information, see “DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION” herein. The District’s audited financial statements for the fiscal year ended June 30, 2020, are included as Appendix B, and should be read in their entirety. For specific information on the impact of the Coronavirus Disease 2019 (“COVID-

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\* Preliminary; subject to change.

19”) pandemic (i) on the District’s operations and finances, “RISK FACTORS – Infectious Disease Outbreak,” (ii) on the fiscal year 2020-21 State budget, see “DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process – 2020-21 State Budget,” and (iii) on the Governor’s proposed State budget for fiscal year 2021-22, see “DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process – Proposed 2021-22 State Budget.”

### **Security and Sources of Payment for the Certificates**

The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of [\_\_\_\_\_] 1, 2021 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the Corporation and the District, and evidence direct, fractional undivided interests in the Base Rental Payments to be made by the District under the Lease Agreement for the use of the Property. See “THE PROPERTY.”

The District will enter into a Ground Lease, dated as of [\_\_\_\_\_] 1, 2021 (the “Ground Lease”) pursuant to which the District will lease the Property to the Corporation. The Corporation will then sublease the Property back to the District pursuant to the Lease Agreement. The Lease Agreement will obligate the District to make Base Rental Payments and Additional Rental Payments (which include taxes and assessments affecting the Property, reasonable administrative costs of the Corporation relating to the Property, fees and expenses of the Trustee, insurance premiums and other amounts payable under the Lease Agreement and the Trust Agreement as further described herein). Base Rental Payments and Additional Rental Payments are collectively referred to as “Rental Payments.”

The Trustee and the Corporation will enter into an Assignment Agreement, dated as of [\_\_\_\_\_] 1, 2021 (the “Assignment Agreement”), pursuant to which the Corporation will sell, assign and transfer to the Trustee for the benefit of the Certificate Owners substantially all of the Corporation’s right, title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments due under the Lease Agreement, provided that the Corporation will retain the right to indemnification and to payment of its reasonable costs and expenses under the Lease Agreement.

The District covenants under the Lease Agreement to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor.

Base Rental Payments are subject to complete or partial abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the District’s right to use and occupy any portion of the Property. See “RISK FACTORS – Abatement.” Abatement of Base Rental Payments under the Lease Agreement, to the extent payment is not made from alternative sources as set forth below, could result in all Certificate Owners receiving less than the full amount of principal and interest evidenced by the Certificates. To the extent proceeds of insurance are available or there are amounts available in the Reserve Fund or other funds established under the Trust Agreement (as described below), Base Rental Payments (or a portion thereof) may be made during periods of abatement.

**THE OBLIGATION OF THE DISTRICT TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DISTRICT OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM**

OF TAXATION OR FOR WHICH THE DISTRICT OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

For more complete and detailed information, see “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES.” For a discussion of certain risks associated with the District’s ability to make Base Rental Payments for the Property, see “RISK FACTORS.”

### **Certificate Insurance**

[Concurrently with the execution and delivery of the Certificates, [INSURER] (“[\_\_\_]” or “Insurer”) will issue its Municipal Bond Insurance Policy for the Certificates (the “Insurance Policy”). The Insurance Policy guarantees the scheduled payment of principal of and interest evidenced by the Certificates when due as set forth in the form of the Insurance Policy included as Appendix G to this Official Statement. See “CERTIFICATE INSURANCE” and APPENDIX G – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”]

### **Reserve Fund; Reserve Policy**

The Reserve Fund has been established for the benefit of the Certificate Owners. Upon the execution and delivery of the Certificates, a municipal bond debt service reserve insurance policy (the “Reserve Policy”), in an amount equal to the initial Reserve Requirement, issued by [INSURER] (the “Reserve Insurer”), will be deposited in the Reserve Fund for the Certificates. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Reserve Fund” and APPENDIX H – “SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY.”

### **Purpose of the Certificates**

The proceeds of the Certificates will be used (i) to finance the acquisition, installation and equipping of solar, heating, ventilation and air conditioning and lighting systems throughout the District, (ii) to pay capitalized interest on the Certificates through [\_\_\_\_], (iii) to purchase the Reserve Policy, and (iv) to pay the costs incurred in connection with the execution and delivery of the Certificates. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS.”

### **Description of the Certificates**

The Certificates will be executed and delivered in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of the Certificates will not receive certificates representing their ownership interests in the Certificates purchased. The Certificates will be delivered in denominations of \$5,000 or any integral multiple thereof. Principal and interest payments evidenced by the Certificates are payable directly to DTC by the Trustee for the Certificates. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to DTC Participants for subsequent disbursement to the Beneficial Owners (as defined in the Trust Agreement) of the Certificates. See “THE CERTIFICATES – General” and APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Interest evidenced by the Certificates is payable semiannually on June 1 and December 1 of each year, commencing on June 1, 2021. See “THE CERTIFICATES – General.”

The Certificates are subject to prepayment prior to maturity as described herein. See “THE CERTIFICATES – Prepayment.”

For a more complete description of the Certificates and the basic documentation pursuant to which they are being sold and delivered, see “THE CERTIFICATES,” “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES” and APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.” The summaries and descriptions in this Official Statement of the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Continuing Disclosure Certificate and other agreements relating to the Certificates are qualified in their entirety by the respective form thereof and the information with respect thereto included in such documents. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Trust Agreement or the Lease Agreement shall have the same meanings assigned to such terms as set forth therein. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – DEFINITIONS.”

### **Offering and Delivery of the Certificates**

The Certificates will be offered when, as and if executed, delivered and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Special Counsel to the District, and the satisfaction of certain other conditions. It is anticipated that the Certificates will be available in book-entry form for delivery through the facilities of DTC on or about [\_\_\_\_\_], 2021 (the “Delivery Date”).

### **Certificate Owners’ Risks**

Certain events could affect the ability of the District to make the Base Rental Payments when due. See “RISK FACTORS” for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Certificates.

### **Continuing Disclosure**

The District has covenanted for the benefit of the holders and Beneficial Owners of the Certificates to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the “EMMA System”) certain annual financial information and operating data relating to the District (the “Annual Report”) by not later than the April 15 next following the end of the District’s fiscal year (currently ending June 30), commencing with the report for fiscal year 2020-21 (which is due no later than April 15, 2022) and notice of the occurrence of certain enumerated events (“Notice Events”) in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE.” These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the “Rule”) of the Securities and Exchange Commission (the “SEC”).

*[UW to provide updated CD review report.]*

Isom Advisors, a Division of Urban Futures, Inc., has been engaged by the District as its dissemination agent for its undertakings relating to the Certificates.

### **Forward-Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget,” “intend” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks,

uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

### **Other Information**

This Official Statement is current only as of its date, and the information contained herein is subject to change. Copies of the Ground Lease, the Lease Agreement, the Assignment Agreement, the Trust Agreement and the Continuing Disclosure Certificate are available for inspection at the District at 1919 B Street, Marysville, California 95901, by request to Penny Lauseng, Assistant Superintendent, Business Services, and, following delivery of the Certificates, will be on file at the offices of the Trustee in Los Angeles, California.

## **THE CERTIFICATES**

### **General**

The Certificates evidence and represent direct, fractional undivided interests of the Owners thereof in the principal and interest components of Base Rental Payments to be made by the District pursuant to the Lease Agreement.

The Certificates are dated the date of original delivery thereof and will be executed and delivered in denominations of \$5,000 or any integral multiple thereof (“Authorized Denominations”). The interest components evidenced by the Certificates will be due and payable semiannually on June 1 and December 1 of each year, commencing June 1, 2021 (each an “Interest Payment Date”). The interest evidenced by the Certificates will be payable on each Interest Payment Date to and including their respective Principal Payment Dates or prepayment prior thereto, and will represent the sum of the portions of the Base Rental Payments evidenced thereby designated as interest components coming due on the Interest Payment Dates in each year.

The interest evidenced by the Certificates will be computed on the basis of a 360-day year consisting of twelve, 30-day months. Each Certificate evidences interest from the Interest Payment Date next preceding its date of execution to which interest has been paid in full, unless such date of execution is after the 15th day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day (a “Record Date”) and on or prior to the following Interest Payment Date, in which case such Certificate evidences interest from such Interest Payment Date, or unless such date of execution is on or prior to May 15, 2021, in which case such Certificate evidences interest from the Delivery Date. Notwithstanding the foregoing, if, as shown by the records of the Trustee, interest evidenced by the Certificates is in default, each Certificate will evidence interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for.

The Base Rental Payments evidenced by the Certificates will be payable by the District and deposited with the Trustee no later than the 15th day next preceding each Interest Payment Date (each a “Base Rental Deposit Date”). The principal components of the Base Rental Payments will evidence interest components calculated at the rates per annum, all as set forth on the front inside cover page of this Official Statement. The principal components of the Base Rental Payments will evidence interest components calculated at the rates per annum, all as set forth on the front inside cover page of this Official Statement. The principal evidenced by the Certificates will be payable on their respective Principal Payment Dates and Mandatory Sinking Account Payment Dates in each year and shall represent the sum of the portions of the

Base Rental Payments designated as principal components coming due on the Principal Payment Dates and Mandatory Sinking Account Payment Dates in each year.

The Certificates will be subject to the Book-Entry System of registration, transfer and payment, and each Certificate will initially be registered in the name of Cede & Co., as nominee of DTC. As part of such Book-Entry System, DTC has been appointed securities depository for the Certificates, and registered ownership may not thereafter be transferred except as provided in the Trust Agreement. The Certificates are being delivered in book-entry form only. Purchasers will not receive securities certificates representing their interests in the Certificates. Rather, in accordance with the Book-Entry System, purchasers of each Certificate will have beneficial ownership interests in the purchased Certificates through DTC Participants. For more information concerning the Book-Entry System, see “THE CERTIFICATES – Book-Entry Only System.”

While the Certificates are subject to the Book-Entry System, payments of principal and interest evidenced by the Certificates will be made by the Trustee directly to DTC. DTC in turn is obligated to remit such principal and interest to its DTC Participants for subsequent disbursement to Beneficial Owners of the Certificates as described herein. See “THE CERTIFICATES – Book-Entry Only System” and APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

### **Prepayment\***

***Optional Prepayment.*** The Certificates maturing on or before June 1, 20\_\_ are not subject to optional prepayment prior to their respective stated Principal Payment Dates. Certificates maturing on or after June 1, 20\_\_, are subject to optional prepayment prior to their respective stated Principal Payment Dates, on any date on or after June 1, 20\_\_, in whole or in part, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to the Lease Agreement from any source of available funds, any such prepayment to be at a price equal to the principal evidenced by the Certificates to be prepaid, plus unpaid accrued interest evidenced thereby to the date fixed for prepayment, without premium.

***Extraordinary Prepayment.*** The Certificates are subject to extraordinary prepayment prior to their stated Principal Payment Dates, on any date, in whole or in part, in Authorized Denominations, from and to the extent of any insurance proceeds or condemnation awards in excess of \$50,000 paid with respect to all or a portion of the Property remaining after payment therefrom of all reasonable expenses incurred in the collection thereof (the “Net Proceeds”), deposited by the Trustee in the Prepayment Fund pursuant to the Trust Agreement, at a prepayment price equal to the principal evidenced by the Certificates to be prepaid, plus unpaid accrued interest, if any, evidenced thereby to the date fixed for prepayment, without premium.

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\* Preliminary; subject to change.

**Mandatory Sinking Account Prepayment.** The Certificates with a stated Principal Payment Date of June 1, 20\_\_ are subject to prepayment prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on June 1 of the years and in the aggregate principal amounts as set forth in the table shown below, any such Mandatory Sinking Account Payments to be at a prepayment price equal to the principal evidenced by the Certificates to be prepaid, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium:

Prepayment Date (June 1)	Principal To Be Prepaid
†	\$
† Stated Principal Payment Date	

If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of June 1, 20\_\_ is prepaid pursuant to the extraordinary prepayment provisions as described herein under the caption “– *Extraordinary Prepayment*,” the principal evidenced by such Certificates to be prepaid pursuant to Mandatory Sinking Account Payments on any subsequent June 1 will be reduced by the aggregate principal evidenced by such Certificates so prepaid pursuant to the extraordinary prepayment provisions, such reduction to be allocated among prepayment dates in proportion to the amount by which the principal components of the Base Rental Payments evidenced by such Certificates payable on such prepayment dates are abated pursuant to the Lease Agreement as a result of the event that caused such Certificates to be prepaid pursuant to the extraordinary prepayment provisions, in amounts of Authorized Denominations.

If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of June 1, 20\_\_ is prepaid pursuant to the optional prepayment provisions as described herein under the caption “– *Optional Prepayment*,” the principal evidenced by such Certificates to be prepaid pursuant to Mandatory Sinking Account Payments on any subsequent June 1 will be reduced by the aggregate principal evidenced such Certificates so prepaid pursuant to the optional prepayment provisions, such reduction to be allocated among prepayment dates in amounts of Authorized Denominations, as designated by the District.

The Certificates with a stated Principal Payment Date of June 1, 20\_\_ are subject to prepayment prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on June 1 of the years and in the aggregate principal amounts as set forth in the table shown below, any such Mandatory Sinking Account Payments to be at a prepayment price equal to the principal evidenced by the Certificates to be prepaid, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium:

Prepayment Date (June 1)	Principal To Be Prepaid
†	\$
† Stated Principal Payment Date	

If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of June 1, 20\_\_ is prepaid pursuant to the extraordinary prepayment provisions as described herein under the caption “– *Extraordinary Prepayment*,” the principal evidenced by such Certificates to be prepaid

pursuant to Mandatory Sinking Account Payments on any subsequent June 1 will be reduced by the aggregate principal evidenced by such Certificates so prepaid pursuant to the extraordinary prepayment provisions, such reduction to be allocated among prepayment dates in proportion to the amount by which the principal components of the Base Rental Payments evidenced by such Certificates payable on such prepayment dates are abated pursuant to the Lease Agreement as a result of the event that caused such Certificates to be prepaid pursuant to the extraordinary prepayment provisions, in amounts of Authorized Denominations.

If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of June 1, 20\_\_ is prepaid pursuant to the optional prepayment provisions as described herein under the caption “– *Optional Prepayment*,” the principal evidenced by such Certificates to be prepaid pursuant to Mandatory Sinking Account Payments on any subsequent June 1 will be reduced by the aggregate principal evidenced such Certificates so prepaid pursuant to the optional prepayment provisions, such reduction to be allocated among prepayment dates in amounts of Authorized Denominations, as designated by the District.

***Selection of Certificates for Prepayment.*** Whenever less than all the Outstanding Certificates are to be prepaid on any one date, the Trustee will select the Certificates to be prepaid (a) with respect to any prepayment as described above under the caption “– *Extraordinary Prepayment*,” among Certificates with different stated Principal Payment Dates in proportion to the amount by which the principal components of the Base Rental Payments evidenced by such Certificates are abated pursuant to the Lease Agreement; and (b) with respect to any optional prepayment described above under the caption “– *Optional Prepayment*,” as directed in a Written Request of the District, and by lot among Certificates with the same stated Principal Payment Date in any manner that the Trustee deems fair and appropriate, which decision will be final and binding upon the District and the Certificate Owners. For purposes of such selection, any Certificate may be prepaid in part in Authorized Denominations.

***Notice of Prepayment.*** The Trustee will mail (by first class mail) notice of any prepayment to the respective Certificate Owners designated for prepayment at their respective addresses appearing on the records maintained by the Trustee for the registration of ownership and registration of transfer of the Certificates pursuant to the Trust Agreement, at least 20 but not more than 60 days prior to the date fixed for prepayment. Such notice will state the date of the notice, the prepayment date, the prepayment place and the prepayment price and will designate the CUSIP numbers, if any, the Certificate numbers and the stated Principal Payment Date or Principal Payment Dates of the Certificates to be prepaid (except in the event of prepayment of all of the Certificates in whole), and will require that such Certificates be then surrendered at the Principal Office of the Trustee for prepayment at the prepayment price, giving notice also that further interest evidenced by such Certificates will not accrue from and after the date fixed for prepayment. Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the prepayment of the Certificates or the cessation of accrual of interest evidenced thereby from and after the date fixed for prepayment.

With respect to any notice of any optional prepayment of Certificates, unless at the time such notice is given the Certificates to be prepaid will be deemed to have been paid within the meaning of the Trust Agreement, such notice will state that such prepayment is conditional upon receipt by the Trustee, on or prior to the date fixed for such prepayment, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the prepayment price of, and accrued interest evidenced by, the Certificates to be prepaid, and that if such moneys are not received said notice will be of no force and effect and such Certificates will not be required to be prepaid. In the event a notice of prepayment of Certificates contains such a condition and such moneys are not so received, the prepayment of Certificates as described in the conditional notice of prepayment will not be made and the Trustee will, within a reasonable time after the date on which such prepayment was to occur, give notice to the Certificate Owners and in the manner in

which the notice of prepayment was given, that such moneys were not so received and that there will be no prepayment of Certificates pursuant to such notice of prepayment.

While the Certificates are subject to the Book-Entry System, the Trustee will not be required to give any notice of prepayment to any person or entity other than DTC and as required by the Continuing Disclosure Certificate. DTC and the DTC Participants will have sole responsibility for providing any such notice of prepayment to the Beneficial Owners of the Certificates to be prepaid. Any failure at DTC to notify any DTC Participant, or any failure of a DTC Participant to notify the Beneficial Owner of any Certificates to be prepaid, of a notice of prepayment or its content or effect will not affect the validity of the notice of prepayment, or alter the effect of prepayment described below under “Effect of Prepayment.”

***Effect of Prepayment.*** When notice of prepayment has been duly given as provided in the Trust Agreement and moneys for the payment of the prepayment price of the Certificates to be prepaid are held by the Trustee, then on the prepayment date designated in such notice, the Certificates so called for prepayment will become payable at the prepayment price specified in such notice; and from and after the date so designated, interest evidenced by such Certificates will cease to accrue and such Certificates will cease to be entitled to any benefit or security under the Trust Agreement except for the right of the Owners of such Certificates to receive payment of the prepayment price thereof.

### **Book-Entry Only System**

***General.*** DTC will act as securities depository for the Certificates. The Certificates will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Certificate will be issued for each stated Principal Payment Date of the Certificates, each in the aggregate amount of the principal evidenced by Certificates with such stated Principal Payment Date, and will be deposited with DTC. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

***Discontinuance of DTC Service.*** In the event that (a) DTC determines not to continue to act as securities depository for the Certificates or (b) the District determines to remove DTC from its functions as a depository, DTC’s role as securities depository for the Certificates and use of the book-entry system will be discontinued. If the District fails to select a qualified securities depository to replace DTC, the District will cause the Trustee to execute and deliver new Certificates in fully registered form in such denominations numbered in the manner determined by the Trustee and registered in the names of such persons as are requested by the Beneficial Owners thereof. Upon such registration, such persons in whose names the Certificates are registered will become the registered Owners of the Certificates for all purposes.

The following provisions regarding the exchange and transfer of the Certificates apply only during any period in which the Certificates are not subject to DTC’s book-entry system. While the Certificates are subject to DTC’s book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

All Certificates are transferable by the Owner thereof, in person or by his or her attorney duly authorized in writing, at the Principal Office of the Trustee on the registration books maintained by the Trustee pursuant to the provisions of the Trust Agreement, upon surrender of such Certificates for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. The Trustee may treat the Owner of any Certificate as the absolute owner of such Certificate for all purposes, whether or not the principal or interest evidenced by such Certificate is overdue, and the Trustee will not be affected by any knowledge or notice to the contrary; and payment of the interest and principal evidenced by such Certificate will be made only to such Owner, which payments will be valid

and effectual to satisfy and discharge the liability evidenced by such Certificate to the extent of the sum or sums so paid.

Whenever any Certificate or Certificates will be surrendered for transfer, the Trustee will execute and deliver a new Certificate or Certificates evidencing principal in the same aggregate amount and having the same stated Principal Payment Date. The Trustee will require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Certificates may be exchanged at the Principal Office of the Trustee for Certificates evidencing principal in a like aggregate amount having the same stated Principal Payment Date in such Authorized Denominations as the Owner may request. The Trustee will require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee will not be required to transfer or exchange any Certificate during the period commencing five days before the date of selection of the Certificates for prepayment and ending on the date of mailing notice of such prepayment, nor will the Trustee be required to transfer or exchange any Certificate or portion thereof selected for prepayment from and after the date of mailing the notice of prepayment thereof.

## **SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES**

### **Nature of the Certificates**

Each Certificate evidences a direct, fractional undivided interest in the principal component of the Base Rental Payment due under the Lease Agreement on the payment date or prepayment date of such Certificate, and the interest component of all Base Rental Payments (based on the stated interest rate with respect to such Certificate) to accrue from the date of delivery to its payment date or prepayment date, as the case may be.

The Corporation, pursuant to the Assignment Agreement, will sell, assign and transfer to the Trustee for the benefit of the Certificate Owners substantially all of the Corporation's right, title and interest in and to the Ground Lease and the Lease Agreement, including, its right to receive Base Rental Payments to be paid by the District under and pursuant to the Lease Agreement; provided that the Corporation will retain the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Lease Agreement. The District will pay Base Rental Payments directly to the Trustee, as assignee of the Corporation. See "-- Base Rental Payments" below.

### **Base Rental Payments**

For the use and possession of the Property, the Lease Agreement requires the District to make Base Rental Payments. The Base Rental Payments evidenced by the Certificates will be payable no later than the Base Rental Deposit Date. To secure the payment of the Base Rental Payments, the District is required to pay to the Trustee, for deposit into the Base Rental Payment Fund, on the Base Rental Deposit Date, an amount sufficient to pay the Base Rental Payment then due.

Pursuant to the Trust Agreement, the Trustee will on each Interest Payment Date, deposit in the Interest Fund that amount of moneys representing the portion of the Base Rental Payments designated as the interest component coming due on such Interest Payment Date. On each Interest Payment Date, the Trustee will withdraw from the Interest Fund, for payment to the Certificate Owners, the interest evidenced by the Certificates coming due on such Interest Payment Date.

Pursuant to the Trust Agreement, the Trustee will on each Principal Payment Date and on each Mandatory Sinking Account Payment Date, deposit in the Principal Fund that amount of moneys representing the portion of the Base Rental Payments designated as the principal component coming due on such Principal Payment Date or on each Mandatory Sinking Account Payment Date. On each Principal Payment Date and on each Mandatory Sinking Account Payment Date, the Trustee will withdraw from the Principal Fund, for payment to the Certificate Owners, the principal evidenced by the Certificates due and payable on such Principal Payment Date or upon earlier prepayment from Mandatory Sinking Account Payments.

THE OBLIGATION OF THE DISTRICT TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE DISTRICT OR THE STATE IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT OR THE STATE HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

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**Base Rental Payments Schedule**

The Lease Agreement requires that Base Rental Payments be made on or before each Base Rental Deposit Date, assuming no early prepayment by the District, which is 15 days prior to each of the following Interest Payment Dates:

Interest Payment Date	Principal Component	Interest Component	Total Semi-Annual Base Rental Payment	Total Annual Base Rental Payment
--------------------------	------------------------	-----------------------	---	-------------------------------------

Total:

_____	_____	_____	_____
=====	=====	=====	=====

**Additional Rental Payments**

The Lease Agreement requires the District to pay, as Additional Rental Payments thereunder in addition to the Base Rental Payments, such amounts as required for the payment of all taxes, assessments

of any type or nature charged to the Corporation or the District or affecting the Property or the respective interests or estates of the Corporation or the District in the Property, all reasonable administrative costs of the Corporation relating to the Property, the Certificates or the Trust Agreement, including without limitation all expenses, compensation and indemnification of the Trustee payable by the Corporation under the Trust Agreement, insurance premiums payable under the Lease Agreement, any amounts with respect to the Lease Agreement, the Trust Agreement or the Certificates required to be rebated to the federal government, and all other payments not constituting Base Rental Payments required to be paid by the District under the Lease Agreement or the Trust Agreement.

### **Covenant to Appropriate Funds**

The District covenants under the Lease Agreement to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor.

### **Abatement**

Base Rental Payments are paid by the District in each Rental Period for the District's right to use and occupy the Property for such Rental Period. The obligation of the District to pay Rental Payments will be abated during any period in which by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the District's right to use and occupy any portion of the Property. The Rental Payments will be abated proportionately based on the percentage of the Property that is made unavailable for the District's use and occupancy and the percentage of the Property that is not made unavailable for the District's use and occupancy as a result of such damage, destruction, condemnation or title defect. The District and the Corporation will, in a reasonable manner and in good faith, determine the amount of such abatement; provided, however, that the Rental Payments due for any Rental Period may not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the District during such Rental Period. Such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed, and to the extent necessary to pay unpaid Rental Payments, the term of the Lease Agreement will be extended as provided in the Lease Agreement, except that the term will in no event be extended more than 10 years beyond the Scheduled Termination Date; provided, however, that during abatement, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Trust Agreement, Rental Payments will not be abated as provided above but, instead, will be payable by the District as a special obligation payable solely from said funds and accounts. For information regarding rental interruption insurance, see "- Insurance" below.

Abatement of Rental Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the District. For a description of abatement resulting from condemnation of all or part of the Property, see APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Rental Payments – Rental Abatement."

### **Reserve Fund**

A reserve fund (the "Reserve Fund") is established by the Trust Agreement and is required to be funded in an amount equal to, as of the date of calculation, the least of (a) 10% of the outstanding par amount evidenced by the Certificates, (b) the maximum amount of outstanding principal and interest evidenced by the Certificates coming due in any Certificate Year and (c) 125% of the average amount of

outstanding principal and interest evidenced by the Certificates coming due in each Certificate Year (the “Reserve Requirement”). “Certificate Year” means each twelve-month period beginning on June 1 in each year and extending to the next succeeding May 31, both dates inclusive, except that the first Certificate Year will begin on the Delivery Date and end on May 31, 20[21]. Upon the execution and delivery of the Certificates, the Reserve Policy in the stated amount of \$[\_\_\_\_\_], an amount equal to the initial Reserve Requirement, issued by the Reserve Insurer will be deposited in the Reserve Fund for the Certificates. The Reserve Fund is required to be maintained until all Base Rental Payments are paid in full pursuant to the Lease Agreement and until the first date upon which the Certificates are no longer Outstanding. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Amounts available in the Reserve Fund are to be used to make delinquent Base Rental Payments to the extent that the moneys available in the Interest Fund and Principal Fund do not equal the amount of the principal and interest evidenced by the Certificates then coming due. In addition, moneys, if any, on deposit in the Reserve Fund will be withdrawn and applied by the Trustee for the final Base Rental Payment.

The District may substitute a line of credit, letter of credit, insurance policy, surety bond or other credit source (each, a “Reserve Facility”) for all or a part of the Reserve Policy or Reserve Facility then on deposit in the Reserve Fund by depositing such substitute Reserve Facility with the Trustee so long as, at the time of such substitution, the amount on deposit in the Reserve Fund, together with the amount available under such Reserve Facility and any previously substituted Reserve Facilities, will be at least equal to the Reserve Requirement; provided, however, that, prior to any such substitution, the Trustee will have received the written consent of the Insurer (so long as the Insurer is not in default on its payment obligations under the Insurance Policy).

If at any time the balance in the Reserve Fund is reduced below the Reserve Requirement, the first Base Rental Payments thereafter received from the District under the Lease Agreement and not needed to pay the interest or principal evidenced by Certificates payable to the Owners on the next Interest Payment Date, Principal Payment Date will be used to increase the balance in the Reserve Fund to the Reserve Requirement.

## **Insurance**

The Lease Agreement requires the District to cause to be maintained casualty insurance insuring the Property against fire and all other risks covered by an extended coverage endorsement (excluding earthquake and flood), subject to a \$100,000 loss deductible provision (unless some other deductible is acceptable to the Insurer), in an amount equal to the full insurable value of the Property. The full insurable value of the Property will not be less than the principal evidenced by the outstanding Certificates.

The casualty insurance required by the Lease Agreement may be maintained in the form of self-insurance by the District, in compliance with the terms of the Lease Agreement.

The Lease Agreement requires the District to cause to be maintained, throughout the term of the Lease Agreement, rental interruption insurance to cover the Corporation’s loss, total or partial, of Base Rental Payments caused by perils covered by the casualty insurance described above, in an amount equal to the lesser of (a) the amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period, or (b) such lesser amount as may be agreed to by the Insurer. The District may not self-insure for rental interruption insurance.

The District is also required to obtain certain public liability and property damage insurance coverage in protection of the Corporation and the District and worker’s compensation insurance as

described under APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Insurance – Property Casualty Insurance; Rental Interruption Insurance.”

The District is required under the Lease Agreement to obtain title insurance on the Property, in the aggregate amount of not less than the initial aggregate amount of principal evidenced by the Certificates, subject only to Permitted Encumbrances, as defined in the Lease Agreement.

### **Action on Default**

Should the District default under the Lease Agreement, the Trustee, as assignee of the Corporation under the Assignment Agreement, has the option to (subject to the restrictions described below) terminate the Lease Agreement. In the event of such termination, the District agrees to surrender immediately possession of the Property, without let or hindrance, and to pay to the Trustee, as assignee of the Corporation, all damages recoverable at law that the Corporation may incur by reason of default by the District, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Property and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Lease Agreement.

Without terminating the Lease Agreement, the Trustee will be permitted (a) to collect each installment of Base Rental Payments as the same become due and enforce any other terms or provisions of the Lease Agreement to be kept or performed by the District, regardless of whether or not the District has abandoned the Property, or (b) to exercise any and all rights of entry and re-entry upon the Property. In the event the Corporation does not elect to terminate the Lease Agreement in the manner provided for therein, the District remains liable and agrees to keep or perform all covenants and conditions contained in the Lease Agreement to be kept or performed by the District and, if the Property is not re-let, to pay the full amount of the Base Rental Payments to the end of the term of the Lease Agreement or, in the event that the Property is re-let, to pay any deficiency in Base Rental Payments that results therefrom; and further agrees to pay said Base Rental Payments and/or Base Rental Payment deficiency punctually at the same time and in the same manner as provided for the payment of Rental Payments under the Lease Agreement, notwithstanding the fact that the Corporation may have received in previous years or may receive thereafter in subsequent years Base Rental Payments in excess of the Base Rental Payments specified in the Lease Agreement, and notwithstanding any entry or re-entry by the Corporation or suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property. See “RISK FACTORS.”

The Lease Agreement provides that, so long as the Insurer is not in default under the Insurance Policy, the Insurer will control all remedies upon an event of default under the Lease Agreement. For a description of the events of default and permitted remedies of the Trustee (as assignee of the Corporation) contained in the Lease Agreement and the Trust Agreement, see APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Defaults and Remedies” and “– THE TRUST AGREEMENT – Default and Limitations of Liability – Action on Default.”

### **CERTIFICATE INSURANCE**

[Insurance disclosure to come.]

## THE PROPERTY

### General

The Property leased pursuant to the Lease Agreement consists of the real property on which the Yuba Feather Elementary School, Ella Elementary School, Anna McKenney Intermediate School and Johnson Park Elementary School is located, together with the buildings and improvements located thereon.

[Yuba Feather Elementary School, constructed in [\_\_\_\_], is located at 18008 Oregon Hill Road, Challenge, California 95925. Yuba Feather Elementary School is currently serving approximately [\_\_\_\_] students in kindergarten through sixth grade. Yuba Feather Elementary School is [\_\_\_\_] stories and consists of approximately [\_\_\_\_] buildings, totaling approximately [\_\_\_\_] square feet. Yuba Feather Elementary School includes [\_\_\_\_] total classrooms, with [\_\_\_\_] of those being permanent classrooms and [\_\_\_\_] being portable classrooms. Yuba Feather Elementary School also includes a [computer lab, culinary arts room, administrative facilities, an auditorium, a library, a cafeteria, two parking areas, and [\_\_\_\_] athletic fields]. Yuba Feather Elementary School is located on a [\_\_\_\_] acre site.]

[Ella Elementary School, constructed in [\_\_\_\_], is located at 4850 Olivehurst Avenue, Olivehurst, California 95961. Ella Elementary School is currently serving approximately [\_\_\_\_] students in kindergarten through sixth grade. Ella Elementary School is [\_\_\_\_] stories and consists of approximately [\_\_\_\_] buildings, totaling approximately [\_\_\_\_] square feet. Ella Elementary School includes [\_\_\_\_] total classrooms, with [\_\_\_\_] of those being permanent classrooms and [\_\_\_\_] being portable classrooms. Ella Elementary School also includes a [computer lab, culinary arts room, administrative facilities, an auditorium, a library, a cafeteria, two parking areas, and [\_\_\_\_] athletic fields]. Ella Elementary School is located on a [\_\_\_\_] acre site.]

[Anna McKenney Intermediate School, constructed in [\_\_\_\_], is located at 1904 Huston, Marysville, California 95901. Anna McKenney Intermediate School is currently serving approximately [\_\_\_\_] students in sixth through eighth grade. Anna McKenney Intermediate School is [\_\_\_\_] stories and consists of approximately [\_\_\_\_] buildings, totaling approximately [\_\_\_\_] square feet. Anna McKenney Intermediate School includes [\_\_\_\_] total classrooms, with [\_\_\_\_] of those being permanent classrooms and [\_\_\_\_] being portable classrooms. Anna McKenney Intermediate School also includes a [computer lab, culinary arts room, administrative facilities, an auditorium, a library, a cafeteria, two parking areas, and [\_\_\_\_] athletic fields]. Anna McKenney Intermediate School is located on a [\_\_\_\_] acre site.]

[Johnson Park Elementary School, constructed in [\_\_\_\_], is located at 4364 Lever Avenue, Olivehurst, California 95961. Johnson Park Elementary School is currently serving approximately [\_\_\_\_] students in kindergarten through sixth grade. Johnson Park Elementary School is [\_\_\_\_] stories and consists of approximately [\_\_\_\_] buildings, totaling approximately [\_\_\_\_] square feet. Johnson Park Elementary School includes [\_\_\_\_] total classrooms, with [\_\_\_\_] of those being permanent classrooms and [\_\_\_\_] being portable classrooms. Johnson Park Elementary School also includes a [computer lab, culinary arts room, administrative facilities, an auditorium, a library, a cafeteria, two parking areas, and [\_\_\_\_] athletic fields]. Johnson Park Elementary School is located on a [\_\_\_\_] acre site.]

The insured aggregate value of the Property will not be less than the principal evidenced by the outstanding Certificates.

### Substitution or Release

The Lease Agreement provides that, with the consent of the Insurer and compliance with the other conditions specified therein, the District may release from the Lease Agreement any portion of the Property

or substitute alternate real property for all or any portion of the Property. Any such substitution or release of any portion of the Property will be subject to certain specific conditions set forth in the Lease Agreement, among which are that an independent certified real estate appraiser selected by the District will have found that the Property, as constituted after such substitution or release, has an annual fair rental value greater than or equal to 105% of the maximum amount of Base Rental Payments payable by the District in any Rental Period. Thus, a portion of the property comprising the Property could be replaced with less valuable property, or could be released altogether, so long as, among other things, the Property, as constituted after such substitution or release, has an annual fair rental value greater than or equal to 105% of the maximum amount of Base Rental Payments payable by the District in any Rental Period. See “RISK FACTORS – Substitution or Release of Property” and APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – No Consequential Damages; Use of the Property; Substitution or Release – Substitution or Release of the Property.”

**PLAN OF FINANCE**

A portion of the proceeds of the Certificates will fund the Project, which consists of the acquisition, installation and equipping of solar, heating, ventilation and air conditioning and lighting systems throughout the District.

The remaining proceeds of the Certificates will be used to pay capitalized interest on the Certificates through [\_\_\_\_\_], to purchase the Reserve Policy, and to pay the costs incurred in connection with the execution and delivery of the Certificates. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

**ESTIMATED SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds with respect to the Certificates and other available funds are set forth below.

SOURCES

Principal Amount of Certificates	\$ _____
[Plus/Less] [Net] Original Issue [Premium/Discount]	_____
Total Sources	\$ _____

USES

Deposit to Acquisition Fund	\$ _____
Deposit to Capitalized Interest Fund	
Underwriter’s Discount	
Costs of Issuance <sup>(1)</sup>	_____
Total Uses	\$ _____

<sup>(1)</sup> Includes legal, Municipal Advisor, rating agency, printing, Insurance Policy and Reserve Policy premiums and fees, and other fees and miscellaneous costs of issuance.

**RISK FACTORS**

*The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Certificates. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment*

*in the Certificates. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.*

### **General Considerations and Other Obligations**

The obligation of the District to make the Base Rental Payments does not constitute a debt of the District or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State is obligated to levy or pledge any form of taxation or for which the District or the State has levied or pledged any form of taxation.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease Agreement to pay the Base Rental Payments from any source of legally available funds and the District has covenanted in the Lease Agreement that it will take such action as may be necessary to include all Base Rental Payments in its annual budgets and to make necessary annual appropriations therefor. The District is currently liable and may become liable on other obligations payable from its general revenues, some of which may have a priority over the Base Rental Payments. See “DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – District Debt Structure” herein.

The District is currently liable and may become liable on other obligations payable from its general fund. See “DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – District Debt Structure” herein. The District has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the District, the funds available to make Base Rental Payments may be decreased. In the event the District’s revenue sources are less than its total obligations, the District could choose to fund other activities before making Base Rental Payments and other payments due under the Lease Agreement.

### **Limited Recourse on Default**

If the District defaults on its obligations to make Base Rental Payments, the Trustee, as assignee of the Corporation, may (subject to the restrictions described below) retain the Lease Agreement and hold the District liable for all Base Rental Payments on an annual basis and will have the right to reenter and relet the Property. In the event such reletting occurs, the District would be liable for any resulting deficiency in Base Rental Payments. Alternatively, the Trustee may (subject to the restrictions described below) terminate the Lease Agreement with respect to the Property and proceed against the District to recover damages pursuant to the Lease Agreement.

The Lease Agreement provides that, so long as the Insurer is not in default under the Insurance Policy, the Insurer will control all remedies upon an event of default under the Lease Agreement.

Due to the specialized nature of the Property, no assurance can be given that the Trustee will be able to relet any portion of the Property so as to provide rental income sufficient to make payments of principal and interest evidenced by the Certificates in a timely manner, and the Trustee is not empowered to sell the Property for the benefit of the Owners of the Certificates. In addition, due to the governmental function of the Property, it is not certain whether a court would permit the exercise of the remedies of repossession and reletting with respect thereto. Any suit for money damages would be subject to limitations on legal remedies against school districts in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Moreover, there can be no assurance that such reletting will not adversely affect the exclusion of any interest component of Base Rental Payments evidenced by the Certificates from federal or state income taxation.

## **No Acceleration Upon Default**

In the event of a default, there is no available remedy of acceleration of the Base Rental Payments due over the term of the Lease Agreement. The District will only be liable for Base Rental Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's Base Rental Payments.

## **No Liability of Corporation to the Owners**

Except as expressly provided in the Trust Agreement, the Corporation will not have any obligation or liability to the Owners of the Certificates with respect to the payment when due of the Base Rental Payments by the District, or with respect to the performance by the District of other agreements and covenants required to be performed by it contained in the Lease Agreement or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

## **Bankruptcy**

**Generally.** In addition to the limitations on remedies contained in the Lease Agreement and the Trust Agreement, the rights and remedies provided in the Lease Agreement and the Trust Agreement may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

The obligations of the Insurer under the Insurance Policy are contractual obligations and in an event of default by the Insurer, the rights and remedies available may be limited by and subject to provisions of federal or state insolvency laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. Should the Insurer encounter financial difficulties, there could be adverse effects on the Owners of the Certificates. The applicable regulators can order an insurance company to stop paying claims, or to pay claims only with the permission of the regulators, even before the insurance company becomes the subject of a formal insolvency proceeding. An insolvent financial guaranty insurer may be able to retain its rights to control remedies and direct the Trustee, and its rights to consent to amendments of the documents, even though it is insolvent or not paying claims as required by the financial guaranty policy. An insolvent financial guaranty insurer may also be able to require the District to reimburse the Insurer before paying amounts due on the Certificates, regardless of what the documents provide. There may be other possible effects of the financial distress of the Insurer that could result in delays or reductions in payments on the Certificates, or result in losses to the Owners of the Certificates. Regardless of any specific adverse determinations, the fact of the financial distress of the Insurer could have an adverse effect on the liquidity and value of the Certificates.

**Bankruptcy of District.** The District may be eligible to become a debtor in a Chapter 9 bankruptcy case. If the District were to go into bankruptcy, it may be able to reject the Ground Lease or the Lease Agreement or assume the Ground Lease or the Lease Agreement, despite any provision of the Ground Lease or the Lease Agreement that makes the bankruptcy or insolvency of the District an event of default thereunder.

If the District rejects the Lease Agreement, the District's obligation to pay Base Rental Payments and Additional Rental Payments will terminate. The Trustee on behalf of the Owners of the Certificates will have a claim for damages in the bankruptcy case, but this claim for damages may be significantly limited. While the Corporation may be able to recover possession of the Property and re-let it, no assurance can be given that the new lease will provide for the same level of payments as the Lease Agreement or that the new lessee will be as desirable. The Owners of the Certificates could suffer substantial losses.

If the District rejects the Ground Lease, the rights of the Trustee and the Owners of the Certificates to receive Base Rental Payments and Additional Rental Payments may terminate, even if the District remains in possession of the Property. While the Trustee on behalf of the Owners of the Certificates may have a claim in the District's bankruptcy, this claim for damages may be significantly limited, and the Owners of the Certificates could suffer substantial losses.

If the District assumes the Lease Agreement, it may be able to assign it to a third party, notwithstanding the provisions of the transaction documents. The District would no longer be obligated to pay Base Rental Payments and Additional Payments. The third party assignee would be obligated to make such payments. While there must be adequate assurances of the future performance of the assignee, that determination is made by the bankruptcy court, not the Trustee or the Owners of the Certificates, and the determination may turn out to have been wrong. Any such assignee may be a less desirable sublessee and may expose the holders of the Certificates to additional or different risks, including risks of non-payment. There may be adverse tax consequences of such an assignment.

If the District is in bankruptcy, the parties (including the Trustee and the Owners of the Certificates) may be prohibited from taking any action to collect any amount from the District or to enforce any obligation of the District, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the Owners of the Certificates from funds in the Trustee's possession.

The District may be able to obtain authorization from the bankruptcy court to sell the Property to a third party, free and clear of the Ground Lease, the Lease Agreement, and the rights of the Trustee and the Owners of the Certificates. Under such circumstances, the Owners of the Certificates may suffer substantial losses.

The District may be able, without the consent and over the objection of the Trustee and the Owners of the Certificates, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Lease Agreement, the Trust Agreement, the Certificates, and other transaction documents, as long as the bankruptcy court determines that the alterations are fair and equitable.

The District could threaten to take any of the actions described above as part of negotiations to alter its obligations under the Lease Agreement, the Ground Lease, or other transaction documents.

Actions could be taken in a bankruptcy of the District that could adversely affect the exclusion of interest evidenced by the Certificates from gross income for federal income tax purposes. In addition, there may be other possible effects of the bankruptcy of the District that could result in delays or reductions in payments of the principal and interest evidenced by the Certificates, or in other losses to the Owners of the Certificates. There may be delays in payments on the Certificates while the court considers any of these issues.

Regardless of any specific adverse determinations in a bankruptcy case of the District, the fact of such a bankruptcy case could have an adverse effect on the liquidity and value of the Certificates.

***Bankruptcy of Corporation.*** The Corporation is not a special-purpose bankruptcy-remote entity, and could become a debtor in a bankruptcy case. The District and the Corporation intend the assignment to the Trustee of all of Corporation's right, title, and interest to receive the Base Rental Payments and Additional Rental Payments to be an absolute sale and not the grant of a security interest in such property to secure a borrowing of the Corporation. Nonetheless, if the Corporation were to become a debtor in a bankruptcy case, and a party in interest (including the Corporation itself) was to take the position that the

transfer of the Base Rental Payments and Additional Rental Payments to the Trustee should be recharacterized as the grant of a security interest in such property, then delays in payments on the Certificates could result. If a court were to adopt such position, then delays or reductions in payments evidenced by the Certificates, or other losses to the Owners of the Certificates, could result.

Because the Corporation is not assigning all its rights under the Ground Lease and the Lease Agreement, it may be able to reject the Ground Lease and the Lease Agreement despite any provision of the Ground Lease or the Lease Agreement which makes the bankruptcy or insolvency of the Corporation an event of default thereunder. If the Corporation rejects the Ground Lease, the rights of the Trustee and the Owners of the Certificates to receive Base Rental Payments and Additional Rental Payments may terminate, even if the District remains in possession of the Property. Under such circumstances, the Owners of the Certificates could suffer substantial losses, and any claim for damages may be significantly limited.

If the Corporation rejects the Lease Agreement, the District will have the option to either treat the Lease Agreement as terminated or to remain in possession. If the District treats the Lease Agreement as terminated, the District's obligation to pay Base Rental Payments and Additional Payments will terminate, but the Corporation or the District may still be able to use the Property. Under such circumstances, the Owners of the Certificates could suffer substantial losses.

If the Corporation is in bankruptcy, the parties (including the Trustee and the Owners of the Certificates) may be prohibited from taking any action to collect any amount from the Corporation or to enforce any obligation of the Corporation, unless the permission of the bankruptcy court is obtained. These restrictions may also prevent the Trustee from making payments to the Owners of the Certificates from funds in the Trustee's possession. In addition, the provisions of the transaction documents that require the District to make payments directly to the Trustee, rather than to the Corporation, may no longer be enforceable, and all payments may be required to be made to the Corporation.

The Corporation may be able to obtain authorization from the bankruptcy court to sell or assign its leasehold estate in the Property to a third party, free and clear of the Lease Agreement and the rights of the Trustee and the Owners of the Certificates. Under such circumstances, the Owners of the Certificates may suffer substantial losses.

The Corporation may be able, without the consent and over the objection of the Trustee and the Owners of the Certificates, to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Trust Agreement, the Certificates, and the other transaction documents as long as the bankruptcy court determines that the alterations are fair and equitable.

The Corporation could threaten to take any of the actions described above as part of negotiations to alter its obligations under the Ground Lease, the Lease Agreement, the Trust Agreement, or other transaction documents.

Actions could be taken in a bankruptcy case of the Corporation which could adversely affect the exclusion of interest evidenced by the Certificates from gross income for federal income tax purposes. In addition, there may be other possible effects of the bankruptcy of the Corporation that could result in delays or reductions in payments of the principal and interest evidenced by the Certificates, or in other losses to the Owners of the Certificates. There may be delays in payments on the Certificates while the court considers any of these issues.

Regardless of any specific adverse determinations in a bankruptcy case of the Corporation, the fact of such a bankruptcy case could have an adverse effect on the liquidity and value of the Certificates.

## **Loss of Tax Exemption**

As discussed under the heading “TAX MATTERS,” certain acts or omissions of the District in violation of its covenants in the Trust Agreement and the Lease Agreement, as well as certain other matters, could result in the interest evidenced by the Certificates being includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Certificates. Should such an event of taxability occur, the Certificates would not be subject to a special prepayment and would remain Outstanding until maturity or until prepaid under the provisions contained in the Trust Agreement.

## **Abatement**

In the event of substantial interference with the District’s right to use and occupy any portion of the Property by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, Rental Payments will be subject to abatement. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement.” The Rental Payments will be abated proportionately based on the percentage of the Property that is made unavailable for the District’s use and occupancy and the percentage of the Property that is not made unavailable for the District’s use and occupancy as a result of such damage, destruction, condemnation or title defect. In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the District’s rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the Reserve Fund or other funds and accounts established under the Trust Agreement (including proceeds of the Insurance Policy), or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or prepayment of the Certificates, there could be insufficient funds to make payments to Certificate Owners in full.

However, during abatement, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Trust Agreement, Rental Payments will not be abated as described above but, instead, will be payable by the District as a special obligation payable solely from said funds and accounts.

## **Substitution or Release of Property**

The Lease Agreement provides that, upon the consent of the Insurer and satisfaction of the other conditions specified therein, the District may release from the Lease Agreement any portion of the Property or substitute alternate real property for all or any portion of the Property. Thus, a portion of the property comprising the Property could be replaced with less valuable property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – No Consequential Damages; Use of the Property; Substitution or Release – Substitution or Release of the Property.”

## **Natural Disasters, Seismic Activity, and Drought**

***Earthquakes.*** The District, like most regions in the State, and the Property are located in an area of seismic activity from movements along active fault zones and, therefore, could be subject to potentially destructive earthquakes. The Foothills Fault System, notably consisting of the Cleveland Hill Fault, Swan Ravine Fault, Spenceville Fault and Bear Mountains Fault, transects the area. Seismic hazards encompass both potential surface rupture and ground shaking. Additionally, the area is particularly susceptible to landslides, liquefaction and levee failure due to high magnitude earthquakes from the active surrounding

Delta and Sierra Nevada regions, notably consisting of the Sierra Nevada Faults and San Joaquin Fault Zone. Although the Property has been designed and constructed pursuant to earthquake-resistant standards in accordance with the Field Act (Section 17280 *et seq.* of the Education Code), damage from an earthquake could be substantial. The occurrence of severe seismic activity in the area of the Property could result in substantial damage and interference with the District’s right to use and occupy all or a portion of the Property, which could result in the Lease Payments being subject to abatement. See “– Abatement” above. The District is not required by the Lease Agreement or otherwise to obtain or maintain earthquake insurance for the Property. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance.”

**Wildfires.** In recent years, portions of California, including Yuba County and Butte County, have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures. Notable incidents that have impacted Yuba County, Butte County, and adjacent counties in recent years include the Wall Fire, Cherokee Fire, LaPorte Fire, Cascade Fire, Camp Fire, Willow Fire and North Complex Fire. In July 2017, the Wall Fire burned approximately 6,033 acres of land in Butte County and damaged 60 structures and destroyed 41 structures according to the California Department of Forestry and Fire Protection (“Cal Fire”). In October 2017, the Cherokee Fire burned approximately 8,417 acres of land in Butte County and damaged 1 structure and destroyed 6 structures according to Cal Fire. In October 2017, the LaPorte Fire burned approximately 6,151 acres of land in Butte County and damaged 2 structures and destroyed 74 structures according to Cal Fire. In October 2017, the Cascade Fire burned approximately 9,989 acres of land in Yuba County and damaged 10 structures, destroyed 264 structures and caused 4 fatalities according to Cal Fire. In November 2018, the Camp Fire burned approximately 153,336 acres of land in Butte County and destroyed 18,804 structures, caused 3 injuries and caused 85 fatalities according to Cal Fire. In September 2020, the Willow Fire burned approximately 1,311 acres of land in Yuba County and damaged 10 structures and destroyed 41 structures according to Cal Fire. In August 2020, the North Complex Fire burned approximately 318,935 acres of land in Butte County and adjacent Plumas County and damaged 113 structures, destroyed 2,455 structures, caused 2 injuries and caused 16 fatalities according to the United States Forest Service. Butte County issued a variety of evacuation warnings and evacuation orders over the course of the North Complex Fire. In October 2020, Butte County, in coordination with the California Department of Toxic Substances Control, began an ongoing two-phase debris removal program to survey, collect and dispose of household hazardous waste. No District property has been damaged or destroyed by the Wall Fire, Cherokee Fire, LaPorte Fire, Cascade Fire, Camp Fire, Willow Fire, North Complex Fire or other recent wildfires. Such wildfires have resulted in damage to property within the boundaries of the District. However, the District does not monitor or assess such damage. Occurrence of wildfires in the area of the District could result in substantial damage and interference with the District’s right to use and occupy all or a portion of the Property, which could result in the Base Rental Payments being subject to abatement. See “– Abatement” above. The Lease Agreement requires the District to cause to be maintained casualty insurance insuring the Property against fire and all other risks covered by an extended coverage endorsement (excluding earthquake and flood), subject to a \$100,000 loss deductible provision (unless some other deductible is acceptable to the Insurer), in an amount equal to the full insurable value of the Property. See “SECURITY AND SOURCES OF PAYMENT FOR CERTIFICATES – Insurance.”

Property damage due to wildfire could result in a significant decrease in the assessed value of property in the District. See “DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – Local Property Taxation” for more information. As is true for all school districts in California, the District’s operating income consists primarily of two components: a State portion funded from the State’s general fund in accordance with the Local Control Funding Formula and a local portion derived from the District’s share of the 1% local *ad valorem* tax authorized by the State Constitution. To the extent that the assessed value of property in the District decreases as a result of damage caused by a wildfire and the District’s corresponding share of the 1% local *ad valorem* tax decreases, the District will receive additional

State funding in accordance with the Local Control Funding Formula to meet certain minimum funding requirements for public education pursuant to Proposition 98. Nonetheless, wildfires may impact the desirability of residents to stay in a given community and thus result in residents moving. Shifts in population caused by wildfires and other natural disasters can impact enrollment in the District, which in turn could impact the District's funding under the Local Control Funding Formula. For more information on the State funding of education, District enrollment, and the local sources of education funding, see "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process" and " – Local Sources of Education Funding."

***Events of Force Majeure.*** Operation of the Property may also be at risk from other events of force majeure, such as damaging storms, floods, fires and explosions, strikes, sabotage, riots and spills of hazardous substances, among other events. [None of the facilities comprising the Property are located within a 100-year flood plain.][*District to confirm*] The District cannot predict what force majeure events may occur in the future. For additional information regarding the required insurance coverages under the Lease Agreement, See APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT."

***Drought.*** California has recently experienced extended drought conditions, although rainfall in recent years has somewhat abated the drought conditions throughout the State. In January 2014, the Governor declared a state-wide Drought State of Emergency due to the State facing serious water shortfalls due to the driest year in recorded history in the State and the resultant record low levels measured in State rivers and reservoirs. The California State Water Resources Control Board (the "State Water Board") subsequently issued a Statewide notice of water shortages and potential future curtailment of water right diversions. In April 2017, the Governor of the State lifted the drought emergency declaration, while retaining a prohibition on wasteful practices and advancing conservation measures. It is not possible for the District to make any representation regarding the extent to which drought conditions could impact the Property or cause reduced economic activity within the boundaries of the District.

### **Climate Change and Sea Level Rise**

The direct risks posed by climate change currently include or are expected to include more extreme heat events, rising sea levels, changes in precipitation levels, and more intense storms. In order to address these risks, California law (the Global Warming Solutions Act) requires the State to significantly reduce its emissions of greenhouse gases (GHGs), which contribute to climate change.

Sources of GHG emissions in the District include cars and trucks, electricity and natural gas use in buildings, decomposition of solid waste, landscaping and construction equipment, and water and wastewater distribution, treatment, and use. On-road vehicle use represents the largest source of GHGs, followed by energy use in residential and nonresidential buildings. Going forward, the GHG emissions within the District will continue to change due to new policies, technological improvements, and population growth and new development.

Current science indicates that sea level rise is directly linked to climate change, and sea level is expected to increase over time. Sea level rise threatens even inland areas by exacerbating flooding from very high tides, and by contributing to flooding from extreme rainfall events.

The District cannot predict the timing, extent, or severity of climate change, GHG emissions or sea level rise, and the impact on the District and the Property, and on the State and local economies.

## **Absence of Earthquake and Flood Insurance**

The District is not required under the Lease Agreement to maintain earthquake or flood insurance on the Property. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance.” [The District does not currently insure against the risks of earthquake or flood with respect to the Property and does not anticipate obtaining such insurance in the future.] *[District to confirm.]*

## **Hazardous Substances**

The existence or discovery of hazardous materials may limit the beneficial use of the Property. In general, the owners and lessees of the Property may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as “CERCLA” or the “Superfund Act,” is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Property may be limited in the future resulting from the current existence on the Property of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Property of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Property.

[While certain building materials used in the construction of the Property may contain asbestos, the District is unaware of the existence of hazardous substances on the Property sites which would materially interfere with the beneficial use thereof.] *[District to confirm.]*

## **Economic Conditions in California**

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Because much of the District’s revenues derive from payments from the State under the local control funding formula (the “LCFF”), the District’s revenues can vary significantly from year to year, even in the absence of significant education policy changes. Decreases in the State’s general fund revenues may significantly affect appropriations made by the State to school districts, including the District. See “DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process” and “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS.”

While the California Constitution contains certain minimum funding requirements for public education pursuant to Proposition 98, State funding can be affected by a number of factors, including poor performance of the California economy and State budget shortfalls. At times since the implementation of Proposition 98, the State has sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years’ Proposition 98 minimum funding levels rather than current year increases; by deferring apportionments of Proposition 98 funds from one fiscal year to the next, as the State is doing in fiscal years 2019-20 and 2020-21 (see “DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process – 2020-21 State Budget” for further information); by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12

and fiscal year 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances. However, the Proposed 2021-22 State Budget projects that the State will paydown approximately two-thirds of the K-14 education funding deferrals for fiscal years 2019-20 and 2021-22, leaving approximately \$4 billion deferred from fiscal year 2021-22 to fiscal year 2022-23 as a result of the State's improved economic condition. See "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process – *Proposed 2021-22 State Budget.*" The District cannot provide any assurances that the final fiscal year 2021-22 State budget will reflect the paydown of the deferrals and the increases in education funding reflected in the Proposed 2021-22 State Budget. The District cannot predict the impact that the final fiscal year 2021-22 State budget, or subsequent budgets, will have on its finances and operations.

The State and national economy is currently in a recession resulting from the COVID-19 pandemic. There have and may continue to be adverse effects on the budgets of school districts caused by the general economic downturns in the State. See "– Infectious Disease Outbreak" below. Although the State's economic condition seems to be improving based on estimates in the Proposed 2021-22 State Budget, continued adverse economic conditions and reduced revenues at the State level could have future, unpredictable, negative effects upon the amount of and the manner in which the District receives money from the State.

### **Infectious Disease Outbreak**

In general, the outbreak of a highly contagious disease or epidemic disease could harm the District's financial results or result in a temporary shutdown of the District's facilities. As discussed above, school districts in California are funded based on the LCFF, which allocates a base grant per unit of average daily attendance with additional supplemental grants based on certain factors. See "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process – *Allocation of State Funding to School Districts; Local Control Funding Formula.*" Thus, a temporary shutdown of a school or an entire school district would reduce the average daily attendance and could impact the funding a school district receives unless the State legislature or California Department of Education takes action to exclude such days from the calculations for funding purposes. Further, any impact on the State's tax and other revenue receipts as a result of a highly contagious or epidemic disease may in turn impact other educational funding that the District receives from the State. See "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process – *Future Budgets and Budgetary Actions.*" In addition, the District may incur increased operational costs to conduct distance learning or to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease.

COVID-19 Background. The outbreak of the respiratory disease caused by COVID-19 has been declared a pandemic by the World Health Organization, a national emergency by President Trump and a state of emergency by the Governor of the State.

Federal Response. On March 22, 2020, President Trump approved the Major Disaster Declaration for the State of California's COVID-19 pandemic, authorizing federal emergency aid related to COVID-19. Local educational agencies may submit a request for public assistance through the California Office of Emergency Services for reimbursement of certain costs incurred as a result of COVID-19. The District has not submitted a request for public assistance.

On March 27, 2020, the U.S. House of Representatives approved and President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"). The CARES Act provides \$30 billion to education, specifically \$3 billion allocated to state governors to be used at their discretion to address the emergency, \$13.5 billion for K-12 education, and \$14.25 billion for postsecondary institutions.

School districts will be able to use their share of the \$13.5 billion K-12 education allocation under the CARES Act, which will be based on the proportion of Title I funding received for the most recent fiscal year, for purposes authorized by federal law and other specified uses.

The District expects to receive approximately \$14.07 million under the CARES Act, which includes approximately \$3.29 million from the Elementary and Secondary Schools Emergency Relief Fund provided directly from the federal government to the District, approximately \$9.32 million from the Coronavirus Relief Fund for learning loss mitigation provided from CARES Act funding administered through the State, approximately \$0.59 million from the Governor’s Emergency Education Relief Fund for learning loss mitigation provided from CARES Act funding administered through the State, and approximately \$0.87 million from the State’s general fund for learning loss mitigation provided from CARES Act funding administered through the State. The District received approximately \$11.01 million under the CARES Act in September 2020. [The District anticipates receiving the remainder of the CARES Act funding in [\_\_\_\_\_] 2021.]

On December 28, 2020, the United States Congress approved and President Trump signed into law the Consolidated Appropriations Act, 2021 (“HR 133”), which includes a \$900 billion COVID-19 relief package. HR 133 provides \$81.9 billion to education, specifically \$4.1 billion allocated to state governors to be used at their discretion to address the emergency, of which \$2.75 billion is reserved for private K-12 education, \$54.3 billion for K-12 education, \$22.7 billion for postsecondary institutions, and \$819 million for outlying areas and Bureau of Indian Affairs schools. School districts will be able to use their share of the \$54.3 billion K-12 education allocation under HR 133, which will be based on the proportion of Title I funding received for the most recent fiscal year, for purposes authorized by federal law and other specified uses. *[Does the District know how much or have a general sense of the amount expected under the recent federal COVID legislation?]*

State Legislation Relating to School Districts. On March 17, 2020, the Governor signed Senate Bill 117 (“SB 117”) as urgency legislation effective immediately. For purposes of school district funding for fiscal year 2019-20, SB 117 limits the average daily attendance reported to the California Department of Education to include the full school months from July 1, 2019, to February 29, 2020. This condensed A.D.A. period applies to school districts that comply with Executive Order N-26-20, which provides that school districts that initiate a school closure to address COVID-19 will continue to receive State funding to support certain enumerated school functions during the period of closure. SB 117 further states the intent of the State Legislature that a school district’s employees and contractors are paid during the period of a school closure due to COVID-19. SB 117 also waives instructional time penalties that would otherwise accrue, as long as the school district superintendent, county superintendent or charter school administrator certify that the closure due to COVID-19 caused the school district to fall below applicable instructional time requirements. SB 117 also includes \$100 million in additional funding to school districts for certain costs incurred as a result of COVID-19. The District received \$160,011 from such additional State funding in fiscal year 2019-20.

On December 30, 2020, the Governor released his Safe Schools for All Plan (“Safe Schools Plan”), a \$2 billion incentive grant program which provides additional funding and resources to school districts returning to in-person education, with a priority for students who are younger (TK-2) and most disproportionately impacted by the COVID-19 pandemic. Qualifying school districts must be located in counties with a COVID-19 transmission rate below 28 per 100,000 residents and must submit their COVID-19 safety plan, which is approved by their school employee unions and meets the new Cal/OSHA regulations, to their county office of education. The Safe Schools Plan provides participating school districts with a one-time grant of \$450 per student, with an additional amount of up to \$250 per student based on the number of low-income students, English learners and foster youth. Further, the Safe Schools Plan focuses on implementing safety and mitigation measures such as frequent testing for all school students

and staff, the distribution and enforcement of personal protective equipment for all students and staff in school, improved contact tracing, and prioritized vaccinations for school staff. Additionally, the Safe Schools Plan provides oversight and accountability by assisting school districts to develop and implement their COVID-19 safety plans and responding to reports and concerns by school staff and parents. The Safe Schools Plan awaits approval by the State Legislature and is set to begin on February 15, 2021.

District Response. As a result of the outbreak of COVID-19, the District closed its schools for in-person instruction effective March 17, 2020 for the remainder of the 2019-20 school year and implemented a distance learning model. On July 21, 2020, the Board of Trustees voted to start the 2020-21 school year using a distance learning model. The District has prepared a pandemic reopening plan for the 2020-21 school year that includes three phases and details the conditions necessary to move between phases: (1) Phase 1 – Distance Learning – is triggered when cases in the Yuba-Sutter area increase or the District receives a directive from the California Department of Education, the Governor’s Office, or a local public health agency; (2) Phase 2 – Blended Learning – is triggered when Yuba County health officials deem it safe for students to return to school and Yuba-Sutter counties are off the State watch list for 14 days with an additional 10 days of stability; and (3) Phase 3 – Traditional – allows students to return to school full time as social distancing requirements are lifted. The District is currently in [Phase 1]. *[District to confirm status.]*

In fiscal year 2019-20, the District recorded \$[3.18 million] in COVID-19 related expenditures, largely resulting from increased expenditures for personal protective equipment, student counseling, transportation, meals, distance learning equipment, and technology equipment. As discussed above, the District received \$160,011 under SB 117 in fiscal year 2019-20 to apply to such expenses and intends to apply amounts received under the CARES Act to such expenses. In fiscal year 2020-21, the District is projecting approximately \$[\_\_\_\_\_] for additional COVID-19 related expenditures for personal protective equipment and technology equipment. The District has been allocated approximately \$14.07 million in one-time funds under the CARES Act and \$160,011 in one-time funds under SB 117 to mitigate the impact of COVID-19 during fiscal years 2019-20 and 2020-21, [which the District currently expects will cover] the increased expenditures relating to COVID-19.

While the CARES Act, HR 133 and SB 117 have provided and will continue to provide some immediate relief to school districts, including the District, and the Safe Schools Plan may provide additional relief, the short-term and long-term impacts of the COVID-19 outbreak are unknown as the situation is rapidly evolving. The District cannot predict whether similar legislation would be enacted in the event the outbreak of COVID-19 continues or a similar or other outbreak of a highly contagious disease or epidemic disease were to occur in the future.

## **Cybersecurity**

The District collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, and contractors. As the custodian of such information, the District may face cybersecurity threats from time to time. The District maintains cybersecurity insurance in the event of an attack.

## **THE CORPORATION**

The Corporation was incorporated on June 10, 2003, as a California nonprofit public benefit corporation. The Corporation was organized to assist the District to finance the design, development, acquisition, construction, improvement and remodeling of facilities and equipment, together with site acquisition, development, landscaping, utilities, furnishings, improvements, parking and all appurtenant

and related facilities. The Corporation’s articles of incorporation and by-laws empower the Corporation to act as lessee under the Ground Lease and lessor under the Lease Agreement.

## **DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION**

### **Introduction**

The District, a political subdivision of the State of California, was organized in 1966 under the authority of a majority vote of the qualified electors residing within thirteen area school districts who elected to unify said school districts into a unified school district. The boundaries of the District cover an area of approximately 1,700 square miles of central and northern Yuba County and a portion of Butte County, including the City of Marysville and unincorporated portions of Yuba County and Butte County. The District operates fourteen elementary schools, three intermediate schools, two comprehensive high schools, one alternative high school, one community day school, one dependent charter school, one independent study program and nine preschool/day care centers. In addition to the dependent charter school operated by the District, there is currently one independent charter school operating in the District, Paragon Collegiate Academy Charter School. Enrollment was approximately [9,969] students for fiscal year 2019-20 (including the dependent charter school operated by the District) and is projected to be approximately [9,580] students in fiscal year 2020-21 (including the dependent charter school operated by the District).

### **Board of Trustees**

The District is governed by a seven-member Board of Trustees (the “Board of Trustees”), each member of which is a voting member elected by voters within a specific trustee area of the District and is elected to a four-year term. Elections for positions to the Board of Trustees are held every two years, alternating between three and four available positions. Each December, the Board of Trustees elects a President, Vice President, Clerk and Trustee Representative to serve one-year terms. Current members of the Board of Trustees, together with their office, trustee area and the date their current term expires, are set forth below.

### **MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT (Yuba and Butte Counties, California)**

#### **Board of Trustees**

Name	Office	Trustee Area	Term Expires
Randy L. Rasmussen	President	Area 3	December 2022
Gary J. Criddle	Vice President	Area 2	December 2024
Alisan R. Hastey	Clerk	Area 3	December 2024
Doug F. Criddle	Trustee Representative	Area 4	December 2024
Jeff D. Boom	Member	Area 4	December 2022
Frank J. Crawford	Member	Area 2	December 2022
Randy L. Davis	Member	Area 1	December 2024

### **Superintendent and Business Services Personnel**

The Superintendent of the District is appointed by and reports directly to the Board of Trustees. The Superintendent is responsible for management of the District’s day-to-day operations and supervises the work of other key District administrators. Gary Cena was appointed by the Board of Trustees to serve as Superintendent in July 2019. The Assistant Superintendent, Business Services reports directly to the

Superintendent and is responsible for management of the District’s finances and business operations. Penny Lauseng has served as Assistant Superintendent, Business Services since November 2019. The Assistant Superintendent, Personnel Services reports directly to the Superintendent and is responsible for the management of all employees of the District. Ramiro Carreón has served as Assistant Superintendent, Personnel Services since July 2005.

### **State Funding of Education; State Budget Process**

**General.** As is true for all school districts in California, the District’s operating income consists primarily of two components: a State portion funded from the State’s general fund in accordance with the Local Control Funding Formula (the “Local Control Funding Formula” or “LCFF”) (see “– *Allocation of State Funding to School Districts; Local Control Funding Formula*”) and a local portion derived from the District’s share of the 1% local *ad valorem* tax authorized by the State Constitution (see “– Local Sources of Education Funding”). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District projects it will receive approximately 67.77% of its general fund revenues from State funds (not including the local portion derived from the District’s share of the local *ad valorem* tax), projected at approximately \$97.70 million in fiscal year 2020-21. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see “– *Allocation of State Funding to School Districts; Local Control Funding Formula*,” “– *Attendance and LCFF*” and “Other District Revenues – *Other State Revenues*” below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District’s revenues and operations, and, consequently, the District’s ability to pay Base Rental Payments.

Under Proposition 98, a constitutional and statutory amendment adopted by the State’s voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State’s general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

In connection with the State Budget Act for fiscal year 2013-14, the State and local education agencies therein implemented the LCFF. Funding from the LCFF replaced the revenue limit funding system and most categorical programs. See “– *Allocation of State Funding to School Districts; Local Control Funding Formula*” for more information.

**State Budget Process.** According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. The budget requires a simple majority vote of each house of the State Legislature for passage. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two-thirds vote of the State Legislature is required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2020-21 State budget on June 29, 2020.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district’s State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency

appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

**Aggregate State Education Funding.** The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

Although the California Constitution requires the State to approve a balanced State Budget Act each fiscal year, the State's response to fiscal difficulties in some years has had a significant impact upon the Proposition 98 minimum guarantee and the treatment of settle-up payments with respect to years in which the Proposition 98 minimum guarantee was suspended. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over \$4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by deferring apportionments of Proposition 98 funds from one fiscal year to the next, as the State is doing in fiscal years 2019-20 and 2020-21 (see "*2020-21 State Budget*" below for further information); by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal

year 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the term to maturity of the Certificates, and the District takes no responsibility for informing owners of the Certificates as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov), under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov). The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

**2020-21 State Budget.** The Governor signed the fiscal year 2020-21 State Budget (the "2020-21 State Budget") on June 29, 2020. According to the State, the economic impact of the COVID-19 pandemic has resulted in a \$54.3 billion budget deficit, which the State is addressing through the following measures:

- **Reserves.** The 2020-21 State Budget draws down \$8.8 billion in reserves, including \$7.8 billion from the State's Rainy Day Fund (the "Rainy Day Fund" or the "State Rainy Day Fund"), \$450 million from the Safety Net Reserve, and all of the funds in the Public School System Stabilization Account (the "PSSSA" or the "Proposition 98 Rainy Day Fund").
- **Trigger.** The 2020-21 State Budget includes \$11.1 billion in reductions and deferrals that will be restored if federal legislation providing for at least \$14 billion in federal funds is passed by the United States Congress and signed by the President, and such funds are received by October 15, 2020. If the State receives a lesser amount between \$2 billion and \$14 billion, the reductions and deferrals will be partially restored. The trigger includes \$6.6 billion in deferred spending on schools, approximately \$970 million in funding for the University of California and the California State University, \$2.8 billion for state employee compensation, \$150 million for courts, and funding for child support administration, teacher training, moderate-income housing, and infrastructure to support infill housing. The trigger would also fund an additional \$250 million for county programs to backfill revenue losses. If the federal government does not provide funds in fiscal year 2020-21, the deferrals provided in the 2020-21 State Budget may create a larger budget shortfall in subsequent fiscal years. A larger budget shortfall in subsequent years may result in continuing deferrals until the State is able to fully fund its current year education obligations in a single budget year.
- **Federal Funds.** The 2020-21 State Budget relies on \$10.1 billion in federal funds that provide general fund relief, including \$8.1 billion already received. This includes the enhanced Federal Medical Assistance Percentage, a portion of the State's allocation from the federal Coronavirus Relief Fund and funds provided for childcare programs.
- **Revenues.** The 2020-21 State Budget temporarily suspends the use of net operating losses for medium and large businesses and temporarily limits to \$5 million the amount of business incentive credits a taxpayer can use in any given tax year. These short-term limitations will generate \$4.4 billion in new revenues in fiscal year 2020-21.

- Borrowing/Transfers/Deferrals. The 2020-21 State Budget relies on \$9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 school districts.
- Cancelled Expansions, Updated Assumptions and Other Solutions. The 2020-21 State Budget includes \$10.6 billion of other solutions for addressing the budget deficit, such as cancelling multiple program expansions and anticipating increased government efficiencies, higher ongoing revenues, and lower health and human services caseload costs that previously estimated.

Because of such measures described above, the 2020-21 State Budget is a balanced budget for fiscal year 2020-21 that projects approximately \$137.7 billion in revenues, \$88.8 billion in non-Proposition 98 expenditures and \$45.1 billion in Proposition 98 expenditures. The 2020-21 State Budget sets aside \$2.6 billion in the Special Fund for Economic Uncertainties (the “SFEU”), and it includes total funding of \$98.8 billion (\$48.1 billion general fund and \$50.7 billion other funds) for all K-12 education programs. The 2020-21 State Budget estimates the Proposition 98 minimum guarantee at \$78.5 billion in fiscal year 2018-19, \$77.7 billion in fiscal year 2019-20, and \$70.9 billion in fiscal year 2020-21. The reduction in Proposition 98 funding will result in per pupil spending of \$10,654 in fiscal year 2020-21, a \$1,339 reduction from fiscal year 2019-20.

The 2020-21 State Budget offsets such reduction in Proposition 98 funding in several ways, including the following:

- Local Control Funding Formula Deferrals. As a result of the COVID-19 pandemic, \$1.9 billion in LCFF apportionments in fiscal year 2019-20 were deferred until fiscal year 2020-21, and the 2020-21 State Budget provides that apportionment deferrals in fiscal year 2020-21 will grow to \$11 billion. Such deferrals allow LCFF funding to remain at fiscal year 2019-20 levels in both fiscal years. The 2020-21 State Budget suspends the statutory LCFF cost-of-living adjustment in fiscal year 2020-21. The 2020-21 State Budget provides that \$5.8 billion of deferrals will be triggered off in fiscal year 2020-21 if sufficient federal funding is provided that can be used for such purpose.
- Learning Loss Mitigation. Additionally, the 2020-21 State Budget includes a one-time investment of \$5.3 billion (comprised of \$4.4 billion from the federal Coronavirus Relief Fund, \$589.9 million in Proposition 98 general fund resources, and \$355.2 from the federal Governor’s Emergency Education Relief Fund) to local education agencies to address learning loss resulting from school closures. To ensure that those local educational agencies serving students most affected by the COVID-19 pandemic receive additional funding, the 2020-21 State Budget will allocate \$2.9 billion of such funds based on the LCFF supplemental and concentration grant allocation, \$1.5 billion of such funds based on the number of students with exceptional needs, and \$979.8 million of such funds based on the total LCFF allocation.
- Supplemental Appropriations. In fiscal years 2019-20 and 2020-21, the Proposition 98 funding level drops below the target funding level by a total of approximately \$12.4 billion. To accelerate the recovery from such funding reduction, the 2020-21 State Budget provides supplemental appropriations above the required Proposition 98 funding level, beginning in fiscal year 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5% of general fund revenues, up to a total of \$12.4 billion.
- Revised CalPERS and CalSTRS Contributions. To provide immediate and long-term relief to school districts facing rising pension costs, the 2020-21 State Budget redirects \$2.3 billion appropriated in the 2019-20 State Budget to California State Teachers’ Retirement System (“CalSTRS”) and the California Public Employees’ Retirement System (“CalPERS”) for long-term unfunded liabilities to instead reduce employer contribution rates in fiscal years 2020-21 and 2021-

22. Such reallocation will reduce the CalSTRS employer contribution rate from 18.41% to approximately 16.15% in fiscal year 2020-21 and from 17.9% to 16.02% in fiscal year 2021-22. The CalPERS Schools Pool employer contribution rate will be reduced from 22.67% to 20.7% in fiscal year 2020-21 and from 24.6% to 22.84% in fiscal year 2021-22.

- Federal Funds. In addition to the federal Coronavirus Relief Fund and Governor’s Emergency Education Relief Fund allocations described above, the 2020-21 State Budget includes \$1.6 billion in federal Secondary School Emergency Relief funds. Of this amount, \$1.5 billion will be allocated to local educational agencies in proportion to the amount of Title I-A funding they receive and may be used for costs relating to the COVID-19 pandemic. Of the remaining \$164.7 million, \$112.2 million will be used to provide up to \$0.75 per meal for local educational agencies participating in certain school meal programs and serving meals between March 2020 and August 2020 due to school closures, \$45 million will be used for grants to local educational agencies to increase access to health, mental health, and social service supports for high-need students, \$6 million will be used to provide educator professional development for providing high quality distance learning, and \$1.5 million will be used for State Department of Education costs associated with the COVID-19 pandemic.
- Temporary Revenue Increases. As described above, the 2020-21 State Budget includes a temporary three-year suspension of net operating losses, and a limitation on business incentive tax credits to offset no more than \$5 million of tax liability per year. These temporary changes, along with other tax changes, will generate additional general fund revenues, approximately \$1.6 billion of which will benefit the Proposition 98 guarantee.
- Special Education. The 2020-21 State Budget provides for increased special education base rates of \$625 per pupil pursuant to a new funding formula. The 2020-21 State Budget also includes \$100 million to increase funding for students with low-incidence disabilities, \$15 million in federal Individuals with Disabilities Education Act (“IDEA”) funds for the Golden State Teacher Scholarship Program to increase the special education teacher pipeline, \$8.6 million in IDEA funds to assist local educational agencies to develop regional alternative dispute resolution services and statewide mediation services, and \$1.1 million in IDEA funds to study the current special education governance and accountability structure.
- Average Daily Attendance and Distance Learning. The 2020-21 State Budget assumes that local educational agencies will provide in-classroom instruction during the 2020-21 school year, but recognizes that public health officials may require school closures. To ensure funding stability regardless of instructional model, the 2020-21 State Budget includes a hold-harmless provision for the purpose of calculating apportionments in fiscal year 2020-21, and it provides that average daily attendance will be based on the 2019-20 school year. The 2020-21 State Budget also includes requirements for distance learning services in the event of school closures.
- Employee Protections. The 2020-21 State Budget suspends layoffs of non-management certificated staff during fiscal year 2020-21 and classified staff who hold positions in nutrition, transportation, or custodial services during fiscal year 2020-21. The 2020-21 State Budget includes \$60 million Proposition 98 general fund resources to provide a match of State funds for participating classified employees to be paid during the summer recess period. The 2020-21 State Budget also states that it is the intent of the State Legislature that school districts, community college districts, joint powers authorities, and county offices of education retain all classified employees in fiscal year 2020-21.

The complete 2020-21 State Budget is available from the California Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov). The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

***Proposed 2021-22 State Budget.*** The Governor released his proposed State budget for fiscal year 2021-22 (the “Proposed 2021-22 State Budget”) on January 8, 2021. The Proposed 2021-22 State Budget sets forth a balanced budget for fiscal year 2021-22 with an economic outlook and revenue forecast that is much improved from the 2020-21 State Budget. The Governor cautions that as the State enters fiscal year 2021-22, the risks to such positive forecast remain higher than usual as the State’s health and economy are threatened by the highest infection rate since the start of the COVID-19 pandemic. With increasing distribution of vaccines, however, the Governor notes that the State is poised to begin an equitable and broad-based recovery.

The Proposed 2021-22 State Budget estimates that total resources available in fiscal year 2020-21 will total approximately \$168.10 billion (including a prior year balance of approximately \$5.36 billion) and total expenditures in fiscal year 2020-21 will total approximately \$155.90 billion. The Proposed 2021-22 State Budget anticipates the following fund balances for fiscal year 2020-21: \$3.18 billion in the State’s Reserve for Liquidation of Encumbrances (the “Encumbrances Reserve”), \$9.03 billion in the State’s SFEU, \$747.00 million in the Proposition 98 Rainy Day Fund, \$450.00 million in the State’s Safety Net Reserve, and \$12.54 billion in the State Rainy Day Fund.

The Proposed 2021-22 State Budget projects total resources available for fiscal year 2021-22 of approximately \$170.57 billion, inclusive of revenues and transfers of approximately \$158.37 billion and a prior year balance of approximately \$12.20 billion. The Proposed 2021-22 State Budget projects total expenditures of approximately \$164.52 billion, inclusive of non-Proposition 98 expenditures of approximately \$103.68 billion and Proposition 98 expenditures of approximately \$60.83 billion. The Proposed 2021-22 State Budget proposes to allocate approximately \$3.18 billion of the general fund’s projected fund balance to the Encumbrances Reserve and approximately \$2.88 billion of such fund balance to the SFEU. In addition, the Proposed 2021-22 State Budget includes deposits to the PSSSA and State Rainy Day Fund with estimated fund balances of approximately \$2.99 billion in the PSSSA and approximately \$15.57 billion in the State Rainy Day Fund in fiscal year 2021-22 while maintaining the State’s Safety Net Reserve fund balance of approximately \$450 million. The Proposed 2021-22 State Budget notes that such fund balances will be critical to the State’s financial resiliency as the Proposed 2021-22 State Budget projects that expenditures will grow faster than revenues, with a structural deficit of approximately \$7.6 billion projected for fiscal year 2022-23 that is forecast to grow to over approximately \$11 billion by fiscal year 2024-25.

The Proposed 2021-22 State Budget currently projects that the State’s appropriations limit (referred to as the “Gann Limit”) will be exceeded for just the second time since its passage in 1979. The Gann Limit is currently projected to be exceeded by approximately \$102 million. As a result, any funds above the Gann Limit are constitutionally required to be allocated evenly between school districts and a tax refund.

In light the State’s improved economic outlook and revenue forecast for fiscal year 2021-22, the Proposed 2021-22 State Budget reflects the highest-ever State funding level for K-14 education, including the following notable proposals relating to education:

- **Proposition 98.** The Proposed 2021-22 State Budget includes \$85.8 billion of Proposition 98 resources for K-12 schools and community colleges, which represents an increase of \$14.9 billion above the level funded in the 2020-21 State Budget and the highest-ever level of funding for K-14 schools. The Proposition 98 funding levels for fiscal year 2019-20 and 2020-21 increased from the

2020-21 State Budget amounts by \$1.9 billion and \$11.9 billion, respectively, due almost exclusively to increased State general fund revenues in such fiscal years. Total K-12 per-pupil expenditures from all sources are projected to be \$18,837 in fiscal year 2020-21 and \$18,000 in fiscal year 2021-22 (the decrease between the level of per-pupil expenditures in fiscal year 2020-21 and fiscal year 2021-22 is reflective of the significant allocation of one-time federal funds in fiscal year 2020-21). The Proposed 2021-22 State Budget includes \$12,648 of ongoing K-12 per-pupil expenditures of Proposition 98 resources, which represents an increase of \$1,994 over the level provided in the 2020-21 State Budget.

- Local Control Funding Formula. The 2020-21 State Budget suspended the cost-of-living adjustment for LCFF in fiscal year 2020-21. To remedy the prior fiscal year's suspension, the Proposed 2021-22 State Budget funds LCFF in fiscal year 2021-22 with both the fiscal year 2020-21 cost-of-living adjustment of 2.31 percent and the fiscal year 2021-22 cost-of-living adjustment of 1.5 percent, for a total combined cost-of-living adjustment of 3.84 percent in fiscal year 2021-22. By combining such cost-of-living adjustments in fiscal year 2021-22, the Proposed 2021-22 State Budget increases Proposition 98 general fund resources for LCFF by \$2 billion. Under the Proposed 2021-22 State Budget, total LCFF funding is approximately \$64.5 billion, and all local education agencies are funded at their full LCFF target level.
- No A.D.A. Hold Harmless Provision. Unlike the 2020-21 State Budget, the Proposed 2021-22 State Budget does not include a new A.D.A. hold harmless provision for fiscal year 2021-22. However, because of the existing A.D.A. hold harmless provision in the 2020-21 State Budget, local education agencies that experience enrollment declines in fiscal year 2021-22 will retain the ability to receive their LCFF apportionment based on the higher of their 2019-20 or 2020-21 A.D.A. pursuant to existing law.
- Local Property Tax Adjustments. The Proposed 2021-22 State Budget includes an increase of \$54.1 million of ongoing Proposition 98 general fund resources for school districts and county offices of education in fiscal year 2020-21 as a result of decreased offsetting property tax revenues. However, the Proposed 2021-22 State Budget reflects a decrease of \$1.2 billion of ongoing Proposition 98 general fund resources for school districts and county offices of education in fiscal year 2021-22 as a result of increased offsetting property taxes.
- In-Person Instruction Grants. The Proposed 2021-22 State Budget includes \$2 billion of one-time Proposition 98 general fund resources, available beginning in February 2021, to augment resources for schools to offer in-person instruction safely. This funding will be available on a per-pupil basis for all county schools, school districts, and certain charter schools that are open for in-person instruction by specified dates. Funds may be used for any purpose that supports in-person instruction, and school districts must complete a COVID-19 School Safety Plan and adopt and implement a COVID-19 surveillance testing plan for staff and students as a condition to receipt of such funds.
- Expanded Learning Time and Academic Interventions Grants. To address learning loss due to the COVID-19 pandemic, the Proposed 2021-22 State Budget proposes to allocate \$4.6 billion in one-time Proposition 98 general fund resources for early action by the State legislature. This funding will provide school districts with time to design targeted interventions that focus on students from low-income families, English language learners, youth in foster care, and homeless youth, including an extended school year or summer school.
- Federal COVID-19 Relief Funds. The Proposed 2021-22 State Budget assumes, based recent federal legislation (see "Risk Factors – Infectious Disease Outbreak" for more information on HR

133), that the school districts within the State could receive more than \$6 billion in total funding from the federal Elementary and Secondary Schools Emergency Relief Fund (of which 90 percent would go directly to Title I schools) and \$400 million in total funding from the federal Governor's Emergency Education Relief Fund to assist schools in reopening and remaining open for in-person instruction during the COVID-19 pandemic.

- Proposition 98 Rainy Day Fund (Public School System Stabilization Account). The Proposed 2021-22 State Budget projects that a \$747 million deposit into the Proposition 98 Rainy Day Fund (PSSSA) will be required in fiscal year 2020-21, and a \$2.2 billion deposit will be required in fiscal year 2021-22. The balance of approximately \$3 billion in fiscal year 2021-22 triggers school district reserve caps beginning in fiscal year 2022-23.
- Deferrals. The 2020-21 State Budget included deferrals of LCFF apportionments in the amounts of \$1.9 billion in fiscal year 2019-20, growing to more than \$11 billion in fiscal year 2020-21. The Proposed 2021-22 State Budget pays off the full K-12 deferral of LCFF apportionments in fiscal year 2019-20 and pays off approximately \$7.3 billion of the K-12 deferral of LCFF apportionments in fiscal year 2020-21, leaving an ongoing K-12 deferral balance of \$3.7 billion in fiscal year 2021-22. The Proposed 2021-22 State Budget provides that the June 2022 apportionment will be delayed until July 2022, but that no other apportionments will be affected.
- Additional Funding for K-14 Education. The Proposed 2021-22 State Budget includes \$3.4 billion of non-Proposition 98 general fund resources for K-14 education. Such funding is in addition to the recent federal COVID-19 pandemic relief funding for school districts. See “Risk Factors – Infectious Disease Outbreak” for more information on HR 133.
- Supplemental Payments. The Proposed 2021-22 State Budget projects a decline of \$511 million of Proposition 98 funding in fiscal year 2019-20 and fiscal year 2020-21 – a vast improvement from the projected decline of \$12.4 billion in the 2020-21 State Budget. As a result, the Proposed 2021-22 State Budget proposes to remove the supplemental payments included in the 2020-21 State Budget. However, in recognition of the extraordinary needs of students and the public school system as a result of the COVID-19 pandemic, the Proposed 2021-22 State Budget includes a one-time \$2.3 billion supplementary payment to K-14 schools in fiscal year 2021-22.
- CalPERS/CalSTRS Contributions. The Proposed 2021-22 State Budget provides that CalSTRS will apply \$820 million in fiscal year 2021-22 to reduce the employer rate from 18.1 percent to approximately 15.92 percent, and that CalPERS will apply \$330 million in fiscal year 2021-22 to reduce the Schools Pool employer contribution rate from 24.9 percent to 23 percent.
- Investing in Educator Professional Development. The Proposed 2021-22 State Budget includes \$315.3 million in Proposition 98 general fund resources for educator professional development. This funding includes \$250 million of one-time Proposition 98 general fund resources for the Educator Effectiveness Block Grant to expedite professional development for teachers, administrators, and other in-person staff in high-need areas including accelerated learning, re-engaging students, restorative practices, and implicit bias training, and \$50 million in one-time Proposition 98 general fund resources to create statewide resources and provide targeted professional development on social-emotional learning and trauma-informed practices.
- Investing in the Teacher Pipeline. The Proposed 2021-22 State Budget includes \$225 million in one-time funding to improve the State's teacher pipeline. This funding includes \$100 million in one-time non-Proposition 98 general fund resources for continued investment in the Golden State Teacher Grant Program which provides grants to students enrolled in teacher preparation programs

who commit to working in high-need fields and at schools with high rates of under-prepared teachers, \$100 million in one-time Proposition 98 resources to expand the Teacher Residency Program which supports clinical teacher preparation programs dedicated to preparing and retaining teachers in high-need communities and subject areas, and \$25 million in one-time Proposition 98 resources to expand the Classified School Employees Credentialing Program which provides grants to local educational agencies to recruit non-certificated school employees to become certificated classroom teachers.

- Special Education. The Proposed 2021-22 State Budget includes \$300 million in ongoing Proposition 98 general fund resources for the Special Education Early Intervention Grant to increase the availability of evidence-based services for infants, toddlers, and preschoolers. The Proposed 2021-22 State Budget also includes \$5 million in one-time Proposition 98 general fund resources to establish professional learning networks to increase local educational agency capacity to access federal Medi-Cal funds.
- Community Schools. The Proposed 2021-22 State Budget includes \$264.9 million in one-time Proposition 98 general fund resources to enable local educational agencies to expand existing networks of community schools, establish new community schools, and coordinate a wide range of services to these schools with priority given to schools in high-poverty communities.
- Student Mental Health. The Proposed 2021-22 State Budget includes \$400 million in one-time funding, consisting of a mix of one-time federal and State general fund resources available over multiple years, for the Department of Health Care Services to implement an incentive program through Medi-Cal Managed Care Plans administered by county behavioral health departments and schools. Additionally, the Proposed 2021-22 State Budget also includes \$25 million in one-time Mental Health Services Fund resources, available over multiple years, to expand the Mental Health Student Services Act Partnership Grant Program, which funds partnerships between county behavioral health departments and schools. Finally, the Proposed 2021-22 State Budget includes \$25 million in ongoing Proposition 98 general fund resources to fund innovative partnerships with county behavioral health to support student mental health services.
- Early Learning. The Proposed 2021-22 State Budget includes \$250 million in one-time Proposition 98 general fund resources, available over multiple years, to provide grants to local educational agencies that offer early access to transitional kindergarten (“TK”) to help them cover up-front costs associated with expanding their TK programs. Additionally, to increase the number of highly qualified teachers available to serve TK students, the Proposed 2021-22 State Budget includes an increase of \$50 million of one-time Proposition 98 general fund resources to support the preparation of TK teachers and provide both TK and kindergarten teachers with training in providing instruction in inclusive classrooms, support for English language learners, social-emotional learning, trauma-informed practices, restorative practices, and mitigating implicit biases. The Proposed 2021-22 State Budget also includes \$200 million in one-time general fund resources for school districts to construct and retrofit existing facilities to support TK and full-day kindergarten programs.

The complete Proposed 2021-22 State Budget is available from the California Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov). The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

***LAO Overview of Proposed 2021-22 State Budget.*** The Legislative Analyst’s Office (“LAO”), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature,

released its report on the Proposed 2021-22 State Budget entitled “The 2021-22 Budget: Overview of the Governor’s Budget” on January 10, 2021 (the “2021-22 Proposed Budget Overview”). In the 2021-22 Proposed Budget Overview, the LAO summarizes the condition of the Proposed 2021-22 State Budget and notes the State’s improved fiscal picture amidst the ongoing COVID-19 pandemic. The LAO also highlights key features of the Proposed 2021-22 State Budget, which include a wide array of one-time programmatic spending and efforts to alleviate the impacts of the COVID-19 pandemic.

The LAO notes that, under the Proposed 2021-22 State Budget, the State would end fiscal year 2021-22 with approximately \$18.91 billion in total reserves, representing an increase of \$7.50 billion from the budgeted reserve level of \$11.4 billion in fiscal year 2020-21 set forth in the 2020-21 State Budget. The increase in total reserves is the result of an estimated \$3 billion required deposit into the State Rainy Day Fund, a \$4.20 billion true-up deposit into the State Rainy Day Fund for fiscal years 2019-20 and 2020-21, and an increase in the discretionary SFEU of \$267 million. The LAO summarizes that at the end of fiscal year 2021-22, the State Rainy Day Fund would reach a balance of approximately \$15.57 billion, the SFEU would reach a balance of approximately \$2.88 billion, and the Safety Net Reserve would contain a balance of approximately \$450 million. Despite the overall increase in reserves, the LAO anticipates that the State will face large multiyear operating deficits if the State legislature adopts the Proposed 2021-22 State Budget. In particular, the LAO warns that the State would experience an operating deficit of \$7.60 billion in fiscal year 2022-23 that would grow to \$11.30 billion in fiscal year 2024-25. The LAO recommends that the State legislature begin to consider the ways in which the State might address the multiyear structural deficit, including, for example, by considering the use of discretionary spending to make supplemental pension payments.

The LAO estimates that the Governor had a \$15.50 billion surplus to allocate in the Proposed 2021-22 State Budget, and that the Governor allocated approximately \$8.10 billion to one-time or temporary spending, approximately \$2.90 billion to the SFEU, approximately \$2.50 billion to revenue reductions, approximately \$1.30 billion to ongoing spending (the costs of which the LAO estimates will grow slightly over time to \$1.40 billion by fiscal year 2024-25), and approximately \$700 million to repay State debts and liabilities. The LAO comments that the Proposed 2021-22 State Budget provides a reasonable mix of one-time and ongoing spending. The LAO observes that most one-time spending is allocated to housing and homelessness, as well as natural resources and the environment, while most ongoing spending is allocated to health and behavioral health. The LAO notes that of the new spending specifically attributable to fiscal year 2021-22, the Proposed 2021-22 State Budget allocates \$2.60 billion for ongoing commitments and \$2.90 billion for one-time activities. Combined with a \$2.40 billion one-time deposit into the PSSSA, this one-time spending creates a budget cushion of \$5.30 billion that helps protect ongoing programs from volatility in the Proposition 98 minimum guarantee. The LAO remarks that having a large one-time cushion is especially important in fiscal year 2021-22 given the continued and significant economic uncertainty caused by the ongoing COVID-19 pandemic.

The LAO observes that the 2020-21 State Budget addressed a \$54 billion budget shortfall, which arose as a result of significant declines in expected revenues. Although such revenue estimates were reasonable at the time, the LAO notes that revenues have nearly returned to pre-COVID-19 pandemic levels while State costs have not risen as dramatically as expected. The LAO also calls attention to the fact that some of the State’s actions in response to the COVID-19 pandemic (including making withdrawals from reserves and shifting costs) were larger than necessary and that the Proposed 2021-22 State Budget uses very little discretionary spending to restore budget resilience. While the LAO agrees that the State should remain focused on its response to the COVID-19 pandemic, it suggests that taking actions now to restore budget resilience is nonetheless important both to address the State’s multiyear budget problem and to help the State weather the next unexpected downturn.

The LAO remarks that the Proposed 2021-22 State Budget offers the State legislature an opportunity to consider how the State can best use its resources to help it respond to and recover from the COVID-19 pandemic. In December 2020, the federal government passed a fifth round of pandemic relief, providing additional funding to most taxpayers, people receiving unemployment insurance benefits, renters, businesses, and schools. The Proposed 2021-22 State Budget includes a number of significant proposals that address overlapping needs relating to the COVID-19 pandemic. The LAO observes that while this overlap is understandable given the timing of the release of the Proposed 2021-22 State Budget, the State legislature should examine the Proposed 2021-22 State Budget in light of the new federal relief. Specifically, the LAO recommends that the State legislature determine how to best target State funds to those not already benefiting from the federal assistance, and strive to complement, rather than duplicate, the federal stimulus.

The Proposed 2021-22 State Budget includes \$5 billion in actions that the Governor proposes the State legislature adopt in January and February 2021 (“Immediate Action Proposals”). The Governor’s Immediate Action Proposals include \$2 billion for in-person instruction grants to incentivize schools to offer in-person instruction for younger students and students with high needs, potentially as soon as February 16, 2021. The LAO is concerned this proposal sets unfeasible timelines and could discourage school district participation. Although it believes some additional State funding should be directed toward academic support and reopening schools, the LAO recommends allocating a larger share of one-time funds to paying down deferrals or mitigating future cost increases related to pensions. The Governor’s Immediate Action Proposals also include providing \$2.40 billion in tax refunds to low-income taxpayers, which the LAO believes could be more narrowly tailored to assist taxpayers using an Individual Taxpayer Identification Number; providing \$550 million in small business grants, which the LAO agrees is worth considering given that the recent federal business assistance does not target businesses most heavily-impacted by the COVID-19 pandemic; and waiving fees for individuals and businesses directly affected by the State’s stay-at-home orders, which the LAO assesses as reasonable.

The Proposed 2021-22 State Budget also includes \$7.80 billion in actions that the Governor proposes the State legislature adopt in Spring 2021 (“Early Action Proposals”). The Governor’s Early Action Proposals include additional academic support for disadvantaged students, emergency financial aid for community college students, and funding for various State housing and housing-related infrastructure programs. The LAO recommends that the State legislature evaluate each Early Action Proposal separately and offers a framework for legislators to conduct such evaluations. Ultimately, the LAO recognizes that making decisions with the benefit of knowing how COVID-19 vaccine distribution proceeds, how the State economy responds, how State revenues perform in the spring, and whether the federal government distributes additional funds to states will be very valuable for evaluating how to allocate the State’s limited resources.

The 2021-22 Proposed Budget Overview is available on the LAO website at [www.lao.ca.gov](http://www.lao.ca.gov). The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

***Changes in State Budget.*** The final fiscal year 2021-22 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Proposed 2021-22 State Budget. In May, the Governor will revise the Proposed 2021-22 State Budget based on updated information available at such time. Such revision in May 2021 may also differ substantially from the Proposed 2021-22 State Budget. The final fiscal year 2021-22 State budget may be affected by national and State economic conditions and other factors which the District cannot predict, including the continued and evolving effects of the COVID-19 pandemic on State revenues that may in turn impact the educational funding that the District receives from the State. Accordingly, the District cannot provide any assurances

that there will not be any changes in the final fiscal year 2021-22 State budget from the Proposed 2021-22 State Budget. The District cannot predict the impact that the final fiscal year 2021-22 State budget, or subsequent budgets, will have on its finances and operations.

***Future Budgets and Budgetary Actions.*** The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District's ability to predict or control, including but not limited to the COVID-19 pandemic. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal years 2020-21 and 2021-22 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District.

***School District Reserves.*** As described above, the 2020-21 State Budget projected that the State would need to access its reserves to mitigate the budget shortfall in fiscal year 2020-21, including drawing down all of the funds in the Public School System Stabilization Account. See “– 2020-21 State Budget.” While the Proposed 2021-22 State Budget projects an improved economic outlook for the State that may even result in deposits into the Public School System Stabilization Account as opposed to drawdowns (see “– Proposed 2021-22 State Budget”), school districts may still need to access their local reserves in light of some unpredictability in State and federal funding. The District, which has an A.D.A. of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. [At the time of preparation of the District's first interim report for fiscal year 2020-21, the District projects it will meet the 3% statutory reserve requirement in fiscal years 2020-21 through 2022-23. Based on the District's first interim report for fiscal year 2020-21, the District projects it may need to access its reserves in fiscal years 2021-22 and 2022-23 to meet its obligations.] ***[District to confirm and provide details, if any, on how it will be impacted by potential reserve caps and what action it is considering/taking, if any.]***

***Prohibitions on Diverting Local Revenues for State Purposes.*** Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and community college districts through a local Educational Revenue Augmentation Fund (“ERAF”) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of an initiative constitutional amendment at the November 2010 election, known as “Proposition 22.”

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment has been to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State

general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*”). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State’s authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years – such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State’s general fund.

***Allocation of State Funding to School Districts; Local Control Funding Formula.*** Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a target funding level: a “base revenue limit” per student multiplied by the district’s student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district’s prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district’s base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State “equalization aid.” To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State’s contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the “basic aid” of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as “basic aid districts,” which are now referred to as “community funded districts.” School districts that received some equalization aid were commonly referred to as “revenue limit districts,” which are now referred to as “LCFF districts.” The District is a LCFF district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base grant (“Base Grant”) per unit of average daily attendance (“A.D.A.”) with additional supplemental funding (the “Supplemental Grant”) allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF was projected to have an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below, but achieved full implementation ahead of schedule in fiscal year 2018-19. The LCFF includes the following components:

- A Base Grant for each local education agency (“LEA”). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2020-21, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to \$8,503 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to \$7,818 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to \$8,050 per A.D.A. for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to \$9,572 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12. The 2020-21 State Budget suspends the statutory cost-of-living adjustment in fiscal year 2020-21. For more information, see “– 2020-21 State Budget.”

- A 20% Supplemental Grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional Concentration Grant of up to 50% of a LEA’s Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the LEA that comprise more than 55% of enrollment.
- An Economic Recovery Target (the “ERT”) that is intended to ensure that almost every LEA receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF in fiscal year 2018-19. Upon full implementation in fiscal year 2018-19, LEAs now receive the greater of the Base Grant or the ERT.

Under LCFF, for community funded districts, local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

***Local Control Accountability Plans.*** A feature of the LCFF is a system of support and intervention for local educational agencies. School districts, county offices of education and charter schools are required to develop, implement and annually update a three-year LCAP. Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the district’s budget to ensure adequate funding is allocated for the planned actions.

Typically, each school district must submit its LCAP annually on or before July 1 for approval by its county superintendent. The county superintendent then has until August 15 to seek clarification regarding the contents of the LCAP, and the school district must respond in writing. The county superintendent can submit recommendations for amending the LCAP, and such recommendations must be considered, but are not mandatory. A school district’s LCAP must be approved by its county superintendent by October 8 of each year if such superintendent finds (i) the LCAP adheres to the State template, and (ii) the district’s budgeted expenditures are sufficient to implement the strategies outlined in the LCAP.

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the “Collaborative”), a newly established body of educational specialists, was created to advise and assist local education agencies in achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency’s LCAP.

In response to the COVID-19 pandemic and the unique conditions under which many school districts are operating, Senate Bill 98, a budget trailer bill adopted in connection with the 2020-21 State Budget, revises certain annual LCAP requirements, removes the requirement for a traditional LCAP for the 2020-21 school year and replaces such requirement with what is referred to as a Learning Continuity and Attendance Plan (the “Learning Continuity and Attendance Plan”). The Learning Continuity and Attendance Plan seeks to address funding stability for schools while providing information at the LEA level describing how student learning continuity will be addressed during the COVID-19 pandemic in the 2020-

21 school year. The Learning Continuity and Attendance Plan is intended to balance the needs of all stakeholders, including educators, parents, students, and community members, while streamlining meaningful stakeholder engagement. The Learning Continuity and Attendance Plan memorializes the planning process already underway for the 2020-21 school year, and includes plans for the following: (i) addressing gaps in learning; (ii) conducting meaningful stakeholder engagement; (iii) maintaining transparency; (iv) addressing the needs of unduplicated pupils, students with unique needs, and students experiencing homelessness; (v) providing access to necessary devices and connectivity for distance learning; (vi) providing resources and support to address student and staff mental health and social emotional well-being; and, (vii) continuing to provide school meals for students. Senate Bill 98 also requires school districts to approve a Parent Budget Overview, which was formerly an aspect of the prior LCAP reporting requirements. Accordingly, the Board of Trustees adopted a Learning Continuity and Attendance Plan on September 22, 2020 and a Parent Budget Overview on [\_\_\_\_\_], 2020 and submitted such plans to the Yuba County Office of Education. ***[District to confirm and update with date of adoption of Parent Budget Overview.]***

***Attendance and LCFF.*** The following table sets forth the District’s actual A.D.A., enrollment (including the percentage of students who are English language learners, from low-income families and/or foster youth (collectively, “EL/LI Students”)), and targeted Base Grant per unit of A.D.A. for fiscal years 2015-16 through 2019-20, respectively, and the District’s projected A.D.A., enrollment (including the percentage of EL/LI Students), and targeted Base Grant per unit of A.D.A. for fiscal year 2020-21. The A.D.A. and enrollment numbers reflected in the following table include the Marysville Charter Academy for the Arts but exclude Paragon Collegiate Academy and preschool/day care centers.

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**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**(Yuba and Butte Counties, California)**  
**Average Daily Attendance, Enrollment and Targeted Base Grant**  
**Fiscal Years 2015-16 through 2020-21**

Fiscal Year		A.D.A./Base Grant					Enrollment <sup>(10)</sup>	
		K-3	4-6	7-8	9-12	Total A.D.A.	Total Enrollment	Unduplicated Percentage of EL/LI Students
2015-16	A.D.A. <sup>(1)</sup> :	3,167.91	2,249.83	1,345.9	2,575.86	9,339.50	9,784	82.03%
	Targeted Base Grant <sup>(2)(3)</sup> :	\$7,820	\$7,189	7,403	\$8,801	--	--	--
2016-17	A.D.A. <sup>(1)</sup> :	3,217.82	2,328.98	1,380.33	2,519.38	9,925	10,367	82.15%
	Targeted Base Grant <sup>(2)(4)</sup> :	\$7,820	\$7,189	\$7,403	\$8,801	--	--	--
2017-18	A.D.A. <sup>(1)</sup> :	3,258.99	2,309.07	1,423.15	2,522.19	9,513.40	10,036	81.83%
	Targeted Base Grant <sup>(2)(5)</sup> :	\$7,941	\$7,301	\$7,518	\$8,939	--	--	--
2018-19	A.D.A. <sup>(1)</sup> :	3,309.27	2,265.78	1,454.35	2,570.61	9,600.01	10,110	81.68%
	Targeted Base Grant <sup>(2)(6)</sup> :	\$8,235	\$7,571	\$7,796	\$9,269	--	--	--
2019-20	A.D.A. <sup>(1)</sup> :	3,216.06	2,242.86	1,460.32	2,602.14	9,521.38	9,968	81.55%
	Targeted Base Grant <sup>(2)(7)</sup> :	\$8,503	\$7,818	\$8,050	\$9,572	--	--	--
2020-21 <sup>(8)</sup>	A.D.A.:	[3,216.06]	[2,242.86]	[1,460.32]	[2,602.14]	[9,521.38]	[9,968]	[81.86]%
	Targeted Base Grant <sup>(2)(9)</sup> :	\$8,503	\$7,818	\$8,050	\$9,572	--	--	--

- <sup>(1)</sup> A.D.A. for the second period of attendance, typically in mid-April of each school year, which does not reflect subsequent revisions related to days deemed later by the California Department of Education to have a “material decrease” in attendance or attendance at Saturday school.
- <sup>(2)</sup> Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and include the grade span adjustment, but do not include any supplemental and concentration grants under the LCFE. Such amounts were not expected to be fully funded in fiscal years shown above. However, the LCFE was fully implemented as of fiscal year 2018-19, two years ahead of its anticipated implementation.
- <sup>(3)</sup> Targeted fiscal year 2015-16 Base Grant amount reflects a 1.02% cost-of-living adjustment from targeted fiscal year 2014-15 Base Grant amounts.
- <sup>(4)</sup> Targeted fiscal year 2016-17 Base Grant amount reflects a 0.00% cost-of-living adjustment from targeted fiscal year 2015-16 Base Grant amounts.
- <sup>(5)</sup> Targeted fiscal year 2017-18 Base Grant amount reflects a 1.56% cost-of-living adjustment from targeted fiscal year 2016-17 Base Grant amounts.
- <sup>(6)</sup> Targeted fiscal year 2018-19 Base Grant amount reflects a 3.70% cost-of-living adjustment from targeted fiscal year 2017-18 Base Grant amounts. This “super COLA” amount was authorized by the 2018-19 State Budget and exceeds the statutory 2.71% cost-of-living adjustment.
- <sup>(7)</sup> Targeted fiscal year 2019-20 Base Grant amount reflects a 3.26% cost-of-living adjustment from targeted fiscal year 2018-19 Base Grant amounts.
- <sup>(8)</sup> Figures are estimates.
- <sup>(9)</sup> Targeted fiscal year 2020-21 Base Grant amount reflects a 0% cost-of-living adjustment from targeted fiscal year 2019-20 Base Grant amounts.
- <sup>(10)</sup> Reflects enrollment as of October report submitted to the California Longitudinal Pupil Achievement Data System. A school district’s percentage of unduplicated EL/LI Students is based on a rolling average of such school district’s EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

Source: Marysville Joint Unified School District.

The District received approximately \$101.78 million in aggregate revenues reported under LCFE sources in fiscal year 2019-20 and has projected to receive approximately \$102.64 million in aggregate revenues reported under LCFE sources in fiscal year 2020-21 (or approximately 71.19% of its general fund revenues in fiscal year 2020-21). Such amount includes supplemental grants and concentrated grants for targeted groups projected at approximately \$[\_\_\_\_\_] million and \$[\_\_\_\_\_] million, respectively, in fiscal year 2020-21.

For information on the impact of infectious diseases on the District’s A.D.A. and funding, such as COVID-19, please see “RISK FACTORS – Infectious Disease Outbreak.”

## Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some State equalization aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as a LCFF district.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the same level of State aid as allotted in fiscal year 2012-13. See "State Funding of Education; State Budget Process – *Allocation of State Funding to School Districts; Local Control Funding Formula*" for more information about the LCFF.

Local property tax revenues are projected to account for approximately 17.28% of the District's aggregate revenues reported under LCFF sources and are projected to be approximately \$17.73 million, or 12.30% of total general fund revenues in fiscal year 2020-21.

For information about the property taxation system in California and the District's property tax base, see "– Local Property Taxation – *Assessed Valuation of Property Within District*," and "– Tax Charges and Delinquencies."

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below.

***Effect of Changes in Enrollment.*** Changes in local property tax income and A.D.A. affect LCFF districts and community funded districts differently.

In LCFF districts, such as the District, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In community funded districts, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it a LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income, other than the \$120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, and

has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

### **Other District Revenues**

**Federal Revenues.** The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 15.94% (or approximately \$22.98 million) of the District's general fund projected revenues for fiscal year 2020-21.

**Other State Revenues.** In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues, consisting primarily of restricted revenues designed to implement State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into LCFF. Categorical funding for certain programs was excluded from LCFF, and school districts will continue to receive restricted State revenues to fund these programs. Other State revenues comprise approximately 8.87% (or approximately \$12.79 million) of the District's general fund projected revenues for fiscal year 2020-21.

A portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District has projected to receive approximately \$1.88 million in State lottery revenue for fiscal year 2020-21.

**Other Local Revenues.** In addition to *ad valorem* property taxes, the District receives additional local revenues from sources, such as interest income, leases and rentals, educational foundations, donations and sales of property. Other local revenues comprise approximately 4.00% (or approximately \$5.76 million) of the District's general fund projected revenues for fiscal year 2020-21.

### **Charter Schools**

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the California Education Code (the "Charter School Law"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education or the State Board of Education. A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are to (a) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system, (b) hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability, and (c) provide competition within the public school system to stimulate improvements in all public schools.

A school district has certain fiscal oversight and other responsibilities with respect to both dependent and independent charter schools. However, independent charter schools that receive their funding directly from the State are generally not included in a school district's financial reports and audited financial statements and function like independent agencies, including having control over their staffing and budgets, which are received directly from the State. Dependent charter schools receive their funding from the school district and would generally be included in the school district's financial reports and audited financial statements.

Currently, two District-authorized charter schools operate within the District: (1) Marysville Charter Academy for the Arts (“MCAA”), a dependent charter school, and (2) Paragon Collegiate Academy (“PCA”), an independent charter school. The Yuba Environmental Science Charter Academy (“YESCA”) also operates as an independent charter school within portions of the District’s territory, but is authorized by the Yuba County Office of Education.

MCAA serves students in grades 7-12. The enrollment at MCAA in fiscal year 2019-20 was 383 students and is projected to be approximately [388] students in fiscal year 2020-21. The District’s audited financial statements for fiscal year 2019-20, which are included as Appendix B, include the operations of MCAA.

PCA serves students in grades K-8. The enrollment at PCA in fiscal year 2019-20 was 188 students and is projected to be approximately [188] students in fiscal year 2020-21. Since PCA is an independent charter school, its financial activities are not presented in the District’s financial statements.

The District can make no representation as to whether enrollment at such charter schools may increase at the expense of District enrollment in future years, whether additional charter schools will be established within the territory of the District, or as to the impact MCAA, PCA, YESCA or any other charter school developments may have on the District’s enrollment and A.D.A. or finances in future years.

## **Local Property Taxation**

Taxable property located in the District has a fiscal year 2020-21 assessed value of \$4,892,126,523. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described under the heading, “*–State Assessed Property*” below.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed. See “*– Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*” below.

***State-Assessed Property.*** Under the State Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are

assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the applicable county. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the applicable county. The District is unable to predict future transfers of State-assessed property in the District and the applicable county, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

***Classification of Locally Taxed Property.*** Locally taxed property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

***Assessed Valuation of Property Within District.*** The tables on the following page sets forth the assessed valuation of the various classes of property in the District's boundaries from fiscal years 2007-08 through 2020-21, each as of the date the equalized assessment roll is established in August of each year.

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**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**(Yuba and Butte Counties, California)**  
**Assessed Valuations**  
**Fiscal Years 2007-08 through 2020-21**

Butte County Portion

Fiscal Year Ending	Local Secured	Utility	Unsecured	Total Valuation
2007-08	\$42,216,782	\$0	\$129,331	\$42,346,113
2008-09	45,772,653	0	181,687	45,954,340
2009-10	46,543,478	0	195,875	46,739,353
2010-11	46,556,570	0	194,227	46,750,797
2011-12	45,171,367	0	208,049	45,379,416
2012-13	44,562,279	0	220,142	44,782,421
2013-14	41,815,407	0	207,577	42,022,984
2014-15	42,526,036	0	218,250	42,744,286
2015-16	44,002,068	0	245,599	44,247,667
2016-17	45,004,372	0	202,626	45,206,998
2017-18	48,097,412	0	201,756	48,299,168
2018-19	49,686,211	0	198,181	49,884,392
2019-20	52,676,962	0	226,369	52,903,331
2020-21	54,576,207	0	248,186	54,824,393

Yuba County Portion

Fiscal Year Ending	Local Secured	Utility	Unsecured	Total Valuation
2007-08	\$3,727,892,907	\$ 832,037	\$214,315,709	\$3,943,040,653
2008-09	3,698,308,166	2,776,000	218,761,462	3,919,845,628
2009-10	3,459,120,328	2,776,000	211,784,247	3,673,680,575
2010-11	3,288,102,360	2,776,000	192,065,261	3,482,943,621
2011-12	3,232,223,461	2,776,000	187,667,747	3,422,667,208
2012-13	3,154,849,836	2,401,783	187,736,217	3,344,987,836
2013-14	3,204,644,549	2,401,783	185,395,710	3,392,442,042
2014-15	3,627,414,346	2,349,198	181,580,325	3,811,343,869
2015-16	3,470,740,547	2,401,783	183,830,543	3,656,972,873
2016-17	3,627,414,346	2,349,198	181,580,325	3,811,343,869
2017-18	3,837,918,603	2,084,433	179,647,009	4,019,650,045
2018-19	4,046,661,999	2,068,503	193,310,439	4,242,040,941
2019-20	4,347,136,145	1,879,237	207,634,168	4,556,649,550
2020-21	4,605,235,789	1,879,237	230,187,104	4,837,302,130

Total District

Fiscal Year Ending	Local Secured	Utility	Unsecured	Total Valuation
2007-08	\$3,770,109,689	\$ 832,037	\$214,445,040	\$3,985,386,766
2008-09	3,744,080,819	2,776,000	218,943,149	3,965,799,968
2009-10	3,505,663,806	2,776,000	211,980,122	3,720,419,928
2010-11	3,334,658,930	2,776,000	192,259,488	3,529,694,418
2011-12	3,277,394,828	2,776,000	187,875,796	3,468,046,624
2012-13	3,199,412,115	2,401,783	187,956,359	3,389,770,257
2013-14	3,246,459,956	2,401,783	185,603,287	3,434,465,026
2014-15	3,669,940,382	2,349,198	181,798,575	3,854,088,155
2015-16	3,514,742,615	2,401,783	184,076,142	3,701,220,540
2016-17	3,672,418,718	2,349,198	181,782,951	3,856,550,867
2017-18	3,886,016,015	2,084,433	179,848,765	4,067,949,213
2018-19	4,096,348,210	2,068,503	193,508,620	4,291,925,333
2019-20	4,399,813,107	1,879,237	207,860,537	4,609,552,881
2020-21	4,659,811,996	1,879,237	230,435,290	4,892,126,523

Source: California Municipal Statistics, Inc.

***Risk of Decline in Property Values.*** Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District’s control, such as a general market decline in property values, including potential market declines caused by the effects of a reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), pandemic, or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, drought, flood, landslide, liquefaction, levee failure, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. See also “– *Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*” below.

***Risk of Changing Economic Conditions.*** Property values could be reduced by factors beyond the District’s control, including an a depressed real estate market due to general economic conditions in the Counties, the region, and the State. With the outbreak of COVID-19, the world is currently experiencing a global pandemic. The pandemic may result in an economic recession or depression that causes a general market decline in property values therefore affecting the assessed value of the property in the District. For more information on the impact of the COVID-19 pandemic, see “RISK FACTORS – Infectious Disease Outbreak.”

***Risk of Earthquake.*** The District is located in a seismically active region. The notable earthquake faults include the Cleveland Hills and Sierra Nevada faults and the San Joaquin fault zone. Property values could be reduced by the complete or partial destruction of taxable property as a result of an earthquake. See “RISK FACTORS – Natural Disasters, Seismic Activity, and Drought.”

***Risk of Drought.*** In recent years California has experienced severe drought conditions. In January 2014, the Governor declared a state-wide Drought State of Emergency due to the State facing serious water shortfalls due to the driest year in recorded history in the State and the resultant record low levels measured in State rivers and reservoirs. The California State Water Resources Control Board (the “State Water Board”) subsequently issued a Statewide notice of water shortages and potential future curtailment of water right diversions. In April 2017, the Governor of the State lifted the drought emergency declaration, while retaining a prohibition on wasteful practices and advancing conservation measures. It is not possible for the District to make any representation regarding the extent to which drought conditions could cause reduced economic activity within the boundaries of the District or the extent to which the drought has had or may have in the future on the value of taxable property within the District.

***Risk of Wildfire.*** Property damage due to wildfire could result in a significant decrease in the assessed value of property in the District. This year and in recent years, portions of California, including Yuba County and Butte County and adjacent counties, have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures. For more information on recent wildfires, see “RISK FACTORS – Natural Disasters, Seismic Activity, and Drought.” It is not possible for the District to make any representation regarding the extent to which wildfires could cause reduced economic activity within the boundaries of the District or the extent to which wildfires may impact the value of taxable property within the District.

***Appeals of Assessed Valuation; Blanket Reductions of Assessed Values.*** There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional

new construction or reconstruction activity occurs. Any base year appeal must be made within four years of the change of ownership or new construction date.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "Appeals Board"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (such pre-reduction level escalated by the annual inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIII A of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the assessor's office of Yuba County and Butte County, such Counties have in the past, pursuant to Article XIII A of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by each respective county.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

**Assessed Valuation by Jurisdiction.** The following table describes the percentage and value of the total assessed valuation of the property within the District’s boundaries that reside in the City of Marysville and unincorporated portions of Yuba County and Butte County for fiscal year 2020-21.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
(Yuba and Butte Counties, California)  
Fiscal Year 2020-21 Assessed Valuation by Jurisdiction**

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Marysville	\$ 775,949,974	15.86%	\$ 775,949,974	100.00%
Unincorporated Yuba County	4,061,352,156	83.02	5,539,950,183	73.31
Unincorporated Butte County	54,824,393	1.12	9,541,962,029	0.57
<b>Total District</b>	<b>\$4,892,126,523</b>	<b>100.00%</b>		
<b>Summary by County:</b>				
Yuba County	\$4,837,302,130	98.88%	\$ 6,624,168,887	73.03%
Butte County	54,824,393	1.12	23,173,334,490	0.24
<b>Total District</b>	<b>\$4,892,126,523</b>	<b>100.00%</b>		

Source: California Municipal Statistics, Inc.

**Assessed Valuation by Land Use.** The following table sets forth a distribution of taxable property located in the District on the fiscal year 2020-21 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
(Yuba and Butte Counties, California)  
Fiscal Year 2020-21 Assessed Valuation and Parcels by Land Use**

	2020-21 Assessed Valuation <sup>(1)</sup>	% of Total	No. of Parcels	% of Total
<b>Non-Residential:</b>				
Agricultural/Rural	\$ 598,561,219	12.85%	1,714	6.67%
Commercial/Office	310,027,912	6.65	655	2.55
Vacant Commercial	25,582,131	0.55	240	0.93
Industrial	186,273,819	4.00	152	0.59
Vacant Industrial	11,128,436	0.24	80	0.31
Recreational	16,275,652	0.35	66	0.26
Government/Social/Institutional	1,111,202	0.02	1,100	4.28
Miscellaneous	24,885,991	0.53	76	0.30
Subtotal Non-Residential	<u>\$1,173,846,362</u>	<u>25.19%</u>	<u>4,083</u>	<u>15.88%</u>
<b>Residential:</b>				
Single Family Residence	\$2,797,640,268	60.04%	14,605	56.82%
Condominium/Townhouse	19,163,697	0.41	259	1.01
Mobile Home	253,422,374	5.44	2,498	9.72
Mobile Home Park	25,662,655	0.55	29	0.11
Hotel/Motel	20,251,403	0.43	13	0.05
2-4 Residential Units	52,481,621	1.13	375	1.46
5+ Residential Units/Apartments	118,747,869	2.55	204	0.79
Miscellaneous Residential	23,455,815	0.50	239	0.93
Vacant Residential	175,139,932	3.76	3,399	13.22
Subtotal Residential	<u>\$3,485,965,634</u>	<u>74.81%</u>	<u>21,621</u>	<u>84.12%</u>
<b>TOTAL</b>	<b>\$4,659,811,996</b>	<b>100.00%</b>	<b>25,704</b>	<b>100.00%</b>

<sup>(1)</sup> Local secured assessed valuation, excluding tax-exempt property.  
Source: California Municipal Statistics, Inc.

**Assessed Valuation of Single Family Homes.** The following table sets forth the assessed valuation of single-family homes in the District’s boundaries for fiscal year 2020-21, including the average and median per parcel assessed value.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
(Yuba and Butte Counties, California)  
Fiscal Year 2020-21 Per Parcel Assessed Valuation of Single Family Homes**

	Number of Parcels	2020-21 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	14,605	\$2,797,640,268	\$191,554	\$170,340

  

2020-21 Assessed Valuation	No. of Parcels <sup>(1)</sup>	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	186	1.274%	1.274%	\$ 3,236,179	0.116%	0.116%
\$25,000 - \$49,999	763	5.224	6.498	30,478,816	1.089	1.205
\$50,000 - \$74,999	1,195	8.182	14.680	75,188,145	2.688	3.893
\$75,000 - \$99,999	1,475	10.099	24.779	129,591,666	4.632	8.525
\$100,000 - \$124,999	1,484	10.161	34.940	166,751,595	5.960	14.485
\$125,000 - \$149,999	1,263	8.648	43.588	173,030,792	6.185	20.670
\$150,000 - \$174,999	1,141	7.812	51.400	185,707,498	6.638	27.308
\$175,000 - \$199,999	1,056	7.230	58.631	197,056,814	7.044	34.352
\$200,000 - \$224,999	965	6.607	65.238	204,770,147	7.319	41.671
\$225,000 - \$249,999	932	6.381	71.619	221,126,385	7.904	49.575
\$250,000 - \$274,999	810	5.546	77.165	212,496,952	7.596	57.171
\$275,000 - \$299,999	862	5.902	83.067	247,187,108	8.836	66.006
\$300,000 - \$324,999	773	5.293	88.360	241,575,121	8.635	74.641
\$325,000 - \$349,999	553	3.786	92.147	184,861,182	6.608	81.249
\$350,000 - \$374,999	260	1.780	93.927	93,752,876	3.351	84.600
\$375,000 - \$399,999	173	1.185	95.111	66,879,643	2.391	86.991
\$400,000 - \$424,999	143	0.979	96.090	58,812,057	2.102	89.093
\$425,000 - \$449,999	133	0.911	97.001	58,070,571	2.076	91.169
\$450,000 - \$474,999	111	0.760	97.761	51,197,623	1.830	92.999
\$475,000 - \$499,999	69	0.472	98.233	33,542,899	1.199	94.198
\$500,000 and greater	258	1.767	100.000	162,326,199	5.802	100.000
Total	14,605	100.000%		\$2,797,640,268	100.000%	

<sup>(1)</sup> Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.  
Source: California Municipal Statistics, Inc.

**Largest Taxpayers in District.** The following table sets forth the 20 taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2020-21 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are set forth below.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
(Yuba and Butte Counties, California)  
Largest Fiscal Year 2020-21 Local Secured Taxpayers**

Property Owner	Primary Land Use	2020-21 Assessed Valuation	Percent of Total <sup>(1)</sup>
1. Western Aggregates Inc.	Industrial – Mining	\$ 26,450,268	0.57%
2. Airport Ranch Co.	Agricultural	24,665,117	0.53
3. Hampac LLC	Office Building	21,007,500	0.45
4. Wal-Mart Real Estate Business Trust	Shopping Center	19,123,000	0.41
5. Recology Yuba Sutter	Waste Management	18,335,982	0.39
6. Sutter View Ranch LLC	Agricultural	14,210,316	0.30
7. Farmland Reserve Inc.	Agricultural	13,914,199	0.30
8. Laura Holmes Peters	Agricultural	12,184,026	0.26
9. Shintaffer Farms Inc.	Food Processing	12,110,975	0.26
10. Nordic Industries Inc.	Light Industrial	12,048,888	0.26
11. California Water Service Company	Water Company	11,943,950	0.26
12. R B Satori LP	Agricultural	11,586,062	0.25
13. Ajit S. Bains and Maria Del Carmen	Agricultural	11,427,543	0.25
14. Triangle Properties Inc.	Industrial – Mining	10,891,944	0.23
15. LJ Rice Farms LLC	Agricultural	10,817,276	0.23
16. Sarbit S. and Prabhjot K. Johl	Agricultural	10,543,342	0.23
17. James J. Hill III	Agricultural	10,297,346	0.22
18. Quinco Inc.	Agricultural	10,139,048	0.22
19. Thomas and Diana Bloxam	Apartments	9,977,105	0.21
20. Soper Company	Industrial	9,688,195	0.21
		\$281,362,082	6.04%

<sup>(1)</sup> 2020-21 Local secured assessed valuation: \$4,659,811,996  
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer’s financial situation and ability or willingness to pay property taxes in a timely manner. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District’s control. See “– *Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*” above.

**Typical Tax Rate Area.** The following table sets forth *ad valorem* property tax rates for the last five fiscal years in a typical tax rate area of the District (TRA 001-001). The assessed valuation for such tax rate area for fiscal year 2020-21 is \$541,336,064, which comprises approximately 11.07% of the total assessed value of taxable property in the District.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**(Yuba and Butte Counties, California)**  
**Typical Total Tax Rates per \$100 of Assessed Valuation (TRA 001-001)**  
**Fiscal Years 2016-17 through 2020-21**

	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Marysville Joint Unified School District	0.119443	0.104469	0.112063	0.110247	0.107410
Yuba Joint Community College District	0.026346	0.025348	0.029941	0.028741	0.030912
Total Tax Rate	1.145789%	1.129817%	1.142004%	1.138988%	1.138322%

Source: California Municipal Statistics, Inc.

**Tax Charges and Delinquencies**

**General.** A school district’s share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory process enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The respective county treasurer-tax collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a \$10 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a \$15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the respective county treasurer-tax collector. The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the respective county treasurer-tax collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The respective county treasurer-tax collector may also bring a civil suit against the taxpayer for payment.

In light of the financial hardship that many taxpayers are experiencing due to COVID-19 and the related recession, the Governor issued Executive Order N-61-20, which suspends, until May 6, 2021, the statutory requirements for the imposition of penalties, costs, and interest for the failure to pay property taxes on the secured or unsecured roll, or to pay a supplemental bill provided certain conditions are met. One such condition is that the taxpayer timely files a claim for relief in a form and manner prescribed by the

applicable county treasurer-tax collector. While the District cannot predict the extent of delinquencies and delayed tax collections or the resulting impact on the District's financial condition or operations, Yuba County and Butte County have adopted the Teeter Plan (defined herein), according to which Yuba County and Butte County distribute to the District the District's portion of the 1% levy, instead of the amount actually collected. See “– *Teeter Plan*” below. For more information on the impact of the COVID-19 pandemic, see “RISK FACTORS – Infectious Disease Outbreak.”

Property tax delinquencies may be impacted by economic and other factors beyond the District's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including reduced consumer confidence, reduced real wages or reduced economic activity as a result of a pandemic or a natural or a manmade disaster, such as earthquake, drought, flood, fire or toxic dumping. It is not possible for the District to make any representation regarding the extent to which an economic recession or depression could impact the ability or willingness of property owners within the District to pay property taxes in the future. However, Yuba County and Butte County have adopted the Teeter Plan (defined herein), according to which Yuba County and Butte County distribute to the District the District's portion of the 1% levy, instead of the amount actually collected. For more information on the impact of the COVID-19 pandemic, see “RISK FACTORS – Infectious Disease Outbreak.”

***Teeter Plan.*** Yuba County and Butte County have adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, each participating local agency levying property taxes in a County, including school districts, receives the full amount of uncollected taxes levied on the secured roll credited to its fund (including delinquent taxes, if any), in the same manner as if the full amount due from taxpayers had been collected. In return, the Counties each receive and retain delinquent payments, penalties and interest as collected, that would have been due the local agency. Yuba County applies the Teeter Plan to the District's portion of the 1% levy but does not apply the Teeter Plan to the taxes levied for repayment of general obligation bonds. Butte County applies the Teeter Plan to the District's portion of the 1% levy and to the taxes levied for repayment of general obligation bonds.

The Teeter Plan is to remain in effect unless the board of supervisors of a county orders its discontinuance or unless, prior to the commencement of any fiscal year of a county (which commences on July 1), the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in such county. The board of supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in such county if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency.

The Counties do not provide information on the secured tax charges and delinquencies with respect to the 1% general fund levy for property located within each county or with respect to the District's general obligation bond debt service levy for property located in the District within each county.

### **Significant Accounting Policies and Audited Financial Statements**

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant

accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2020, which are included as Appendix B.

Independently audited financial statements are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. Typically, school districts in the State are required to file their audited financial statements for the preceding fiscal year with the State Controller's Office, the State Superintendent of Public Instruction, and the county superintendent of schools by December 15 of each year. In response to the COVID-19 pandemic and the challenges it presents for school district operations, Senate Bill 98 (Chapter 24, enacted on June 29, 2020, as an urgency bill) provides, among other things, that a school district's audited financial statements for fiscal year 2019-20 are not due until March 31, 2021.

The following tables contain data abstracted from financial statements prepared by the District's independent auditor, Christy White Associates ("Christy White"), San Diego, California, for fiscal years 2015-16 through 2019-20. Christy White has not been requested to consent to the use or to the inclusion of its reports in this Official Statement, and it has neither audited nor reviewed this Official Statement.

The table on the following page sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for fiscal years 2015-16 through 2019-20.

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**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**(Yuba and Butte Counties, California)**  
**Statement of General Fund Revenues, Expenditures and Changes in Fund Balance**  
**Fiscal Years 2015-16 through 2019-20**

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
<b>Revenues:</b>					
LCFF sources	\$ 83,079,182	\$ 89,662,027	\$ 91,271,440	\$100,328,254	\$101,783,023
Federal sources	6,989,484	6,479,036	7,310,382	7,424,972	6,884,197
Other state sources	12,485,174	10,026,371	9,158,382	15,767,618	9,941,828
Other local sources	5,400,550	7,206,768	6,623,156	4,936,086	6,370,353
<b>Total Revenues</b>	<u>\$107,954,390</u>	<u>\$113,374,202</u>	<u>\$114,363,360</u>	<u>\$128,456,930</u>	<u>\$124,979,401</u>
<b>Expenditures:</b>					
Current					
Instruction	\$ 54,290,208	\$ 56,331,220	\$ 61,516,110	\$ 65,743,015	\$ 64,970,144
Instruction-related activities:					
Instructional supervision and administration	2,545,907	2,658,917	2,810,609	3,015,631	2,841,610
Instructional library, media and technology	850,606	911,387	981,103	1,074,633	993,467
School administration	6,566,260	7,031,966	7,938,159	8,717,228	8,165,485
Pupil services:					
Home-to-school transportation	4,834,041	4,939,131	5,493,901	5,494,817	5,460,779
Food services	114,465	2,168	942	133,298	1,179
All other pupil services	5,782,850	6,303,754	7,608,395	8,025,388	9,015,109
General administration:					
Centralized data processing	2,034,525	2,550,514	2,704,136	3,036,532	2,779,318
All other general administration	3,561,258	3,916,696	4,060,984	4,558,859	4,368,829
Plant services					
Facilities acquisition and maintenance	2,743,341	4,685,468	1,196,118	4,408,624	1,771,625
Ancillary services	506,407	534,777	615,321	964,702	839,980
Enterprise activities	60,130	45,339	64,396	49,128	58,706
Transfers to other agencies	3,640,467	3,579,754	3,812,913	4,546,934	3,166,296
Debt Service					
Principal	155,708	595,708	615,708	2,185,512	155,708
Interest and other	37,983	149,375	131,537	85,532	37,983
<b>Total Expenditures</b>	<u>\$ 98,060,883</u>	<u>\$105,372,344</u>	<u>\$111,286,972</u>	<u>\$124,657,426</u>	<u>\$117,474,583</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>9,893,507</u>	<u>8,001,858</u>	<u>3,076,388</u>	<u>3,799,504</u>	<u>7,504,818</u>
<b>Other Financing Sources (Uses)</b>					
Interfund transfers in <sup>(1)</sup>	-	-	48,361	-	-
Interfund transfers out <sup>(2)</sup>	(846,055)	(900,659)	(22,989)	(29,732)	(1,026,791)
<b>Total Other Financing Sources and Uses</b>	<u>(846,055)</u>	<u>(900,659)</u>	<u>25,372</u>	<u>(29,732)</u>	<u>(1,026,791)</u>
<b>Net Change in Fund Balances</b>	9,047,452	7,101,199	3,101,760	3,769,772	6,478,027
<b>Fund Balances, Beginning</b>	14,524,724	23,572,176	30,673,375	33,775,135	37,544,907
<b>Fund Balances, Ending</b>	<u>\$ 23,572,176</u>	<u>\$ 30,673,375</u>	<u>\$ 33,775,135</u>	<u>\$ 37,544,907</u>	<u>\$ 44,022,934</u>

<sup>(1)</sup> The transfer into the District's General Fund as a donation from the Adult Education Fund.

<sup>(2)</sup> For fiscal year 2015-16, transfers out to Deferred Maintenance Fund, Cafeteria Fund, and Child Development Fund; for fiscal year 2016-17, transfers out to Deferred Maintenance Fund and Developer Fees Fund; for fiscal year 2017-18, transfers out to Child Development Fund; for fiscal year 2018-19, transfers out to Building Fund. *[District to describe purpose of transfers out for FY 19-20 and why the significant increase from prior years.]*

Source: Marysville Joint Unified School District Audited Financial Statements for fiscal years 2015-16 through 2019-20.

The following table sets forth the general fund balance sheet of the District for fiscal years 2015-16 through 2019-20.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**(Yuba and Butte Counties, California)**  
**Summary of General Fund Balance Sheet**  
**Fiscal Years 2015-16 through 2019-20**

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
<b><u>ASSETS:</u></b>					
Cash and investments	\$23,546,793	\$29,708,609	\$34,169,588	\$39,164,517	\$36,991,807
Accounts receivable	3,395,955	5,525,285	3,567,732	4,043,265	17,246,416
Due from other funds	845,799	1,000,214	1,087,028	1,186,178	1,026,994
Stores inventory	211,564	239,329	192,970	230,616	292,373
Prepaid expenditures	15,420	-	1,059	-	-
<b>Total Assets</b>	<b>28,015,531</b>	<b>36,473,437</b>	<b>39,018,377</b>	<b>44,624,576</b>	<b>55,557,590</b>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>					
<b>Liabilities</b>					
Accrued liabilities	4,095,788	4,851,714	4,014,962	6,350,642	8,931,848
Due to other funds	29,720	45,164	70,755	399,592	1,026,791
Unearned revenue	317,847	903,184	1,157,525	329,435	1,576,017
<b>Total Liabilities</b>	<b>4,443,355</b>	<b>5,800,062</b>	<b>5,243,242</b>	<b>7,079,669</b>	<b>11,534,656</b>
<b>Fund Balances</b>					
Nonspendable	256,984	269,329	224,029	260,616	322,373
Restricted	3,713,125	4,441,752	5,031,291	4,415,947	5,264,745
Committed	-	-	-	2,715,549	1,112,248
Assigned	4,589,357	8,153,803	6,919,427	9,363,784	12,327,921
Unassigned	15,012,710	17,808,491	21,600,388	20,789,011	24,995,647
<b>Total Fund Balances</b>	<b>23,572,176</b>	<b>30,673,375</b>	<b>33,775,135</b>	<b>37,544,907</b>	<b>44,022,934</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$28,015,531</b>	<b>\$36,473,437</b>	<b>\$39,018,377</b>	<b>\$44,624,576</b>	<b>\$55,557,590</b>

Source: Marysville Joint Unified School District Audited Financial Statements for fiscal years 2015-16 through 2019-20.

**District Budget Process and County Review**

**Budget Process.** State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Yuba County Superintendent of Schools.

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than September 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify

technical corrections necessary to bring the budget into compliance with the established standards. In the event that the county superintendent conditionally approves or disapproves the school district's budget, the county superintendent will submit to the governing board of the school district no later than September 15 of such year written recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can approve that budget.

The governing board of the school district, together with the county superintendent, must review and respond to the recommendations of the county superintendent on or before October 8 at a regular meeting of the governing board of the school district. The county superintendent will examine and approve or disapprove of the revised budget by November 8 of such year. If the county superintendent disapproves a revised budget, the county superintendent will call for the formation of a budget review committee. By December 31 of each year, every school district must have an adopted budget, or the Superintendent of Public Instruction (the "State Superintendent") may impose a budget and will report such school district to the State Legislature and the Department of Finance.

Subsequent to approval, the county superintendent will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations.

If, after taking various remedial actions, the county superintendent determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent will notify the school district's governing board, the State Superintendent and the president of the State board (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the State Superintendent and the school district's governing board, revisions to the budget that will enable the school district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year, and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent will also make a report to the State Superintendent and the president of the State board or the president's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent. However, the county superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent assumed authority.

***Interim Reporting.*** A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200 and the Education Code (Section 42100 et seq.), each school district is required to file two interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that, based on then current projections, will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that, based on then current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then current projections, will not meet its financial obligations for the current fiscal year or the two subsequent

fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the State Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30.

Any school district that receives a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent determines that the school district's repayment of indebtedness is probable. In the past five years, the District has not received a qualified or negative certification for an interim financial report.

***County and State Response to School Districts Under Financial Distress.*** For school districts under fiscal distress, the county superintendent is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from *ad valorem* property taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent, request an emergency appropriation from the State, in which case the county superintendent, the State Superintendent and the president of the State board or the president's designee will appoint a trustee to serve the school district until it has adequate fiscal systems and controls in place. The acceptance by a school district of an emergency apportionment exceeding 200% of the reserve recommended for that school district constitutes an agreement that the county superintendent will assume control of the school district in order to ensure the school district's return to fiscal solvency.

In the event the State elects to provide an emergency apportionment to a school district, such apportionment will constitute an advance payment of apportionments owed to the school district from the State School Fund and the Education Protection Account. The emergency apportionment may be accomplished in two ways. First, a school district may participate in a two-part financing in which the school district receives an interim loan from the State general fund, with the agreement that the school district will subsequently enter into a lease financing with the California Infrastructure and Economic Development Bank for purposes of financing the emergency apportionment, including repaying such amounts advanced to the State general fund. State law provides that so long as bonds from such lease financing are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy. As an alternative, a school district may receive an emergency apportionment from the State general fund that must be repaid in 20 years. Each year, the State Superintendent will withhold from the apportionments to be made to the school district from the State School Fund and the Education Protection Account an amount equal to the emergency apportionment repayment that becomes due that year. The determination as to whether the emergency apportionment will take the form of a lease financing or an emergency apportionment from the State general fund will be based upon the availability of funds within the State general fund.

***District's Fiscal Year 2020-21 Budget and First Interim Report.*** The District's original adopted budget for fiscal year 2020-21, which is included in the table below and described throughout this Appendix A, reflects the assumptions contained in the Governor's May revision to the proposed fiscal year 2020-21 State budget, which were significantly revised in the 2020-21 State Budget. After analyzing the revised assumptions included in the 2020-21 State Budget, District officials presented an update to the Board of Trustees on August 11, 2020, describing the expected impact of such assumptions on the District's fiscal year 2020-21 budget, which include:

- LCFF: Approximately \$8.2 million in additional LCFF revenue;
- COVID-19 CARES ACT Funding: Approximately \$14.9 million in additional restricted revenue for learning loss mitigation under the CARES ACT, but a decrease of \$4.7 million in unrestricted funds initially anticipated; and
- Cashflow: Deferrals of \$26.4 million of State funding from current fiscal year 2020-21 to fiscal year 2021-22.

Given the rapidly evolving nature of the COVID-19 pandemic and the uncertainty of additional federal funding and its impact on the 2020-21 State Budget, even with the updates summarized above, the District's budget for fiscal year 2020-21 is subject to change throughout the current fiscal year as additional information becomes available.

The District also continues to revise its projections of revenues, expenditures, and ending fund balances as more financial data becomes available throughout the year. Accordingly, the District's first interim projections for fiscal year 2020-21 reflect actual financial data for the period ending October 31, 2020 and projections for the remainder of fiscal year 2020-21 based on such data. The District's first interim projections for fiscal year 2020-21, which were adopted by the Board of Trustees on December 15, 2020, are also included in the table below and described throughout this Official Statement.

The table on the following page sets forth the District's adopted general fund budgets for fiscal years 2018-19 through 2020-21, unaudited actuals for fiscal years 2018-19 and 2019-20, and first interim report for fiscal year 2020-21.

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**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**(Yuba and Butte Counties, California)**  
**General Fund Budgets for Fiscal Years 2018-19 through 2020-21,**  
**Unaudited Actuals for Fiscal Years 2018-19 and 2019-20**  
**and First Interim Report for Fiscal Year 2020-21**

	2018-19 Original Adopted Budget	2018-19 Unaudited Actuals <sup>(1)</sup>	2019-20 Original Adopted Budget	2019-20 Unaudited Actuals <sup>(1)</sup>	2020-21 Original Adopted Budget	2020-21 First Interim Report
<b>REVENUES</b>						
LCFF Sources	\$ 99,849,118.00	\$100,328,252.59	\$104,043,111.00	\$101,783,022.43	\$ 94,719,302.00	\$102,637,916.00
Federal Revenue	6,980,949.00	7,424,972.07	6,946,549.00	7,050,622.66	12,190,545.00	22,976,307.44
Other State Revenue	10,358,393.00	11,143,126.87	7,996,447.00	9,941,828.26	8,171,482.00	12,793,060.57
Other Local Revenue	3,917,146.00	4,928,856.57	4,470,896.00	6,203,926.82	5,872,545.00	5,761,800.77
<b>TOTAL REVENUES</b>	<b>\$121,105,606.00</b>	<b>\$123,825,208.10</b>	<b>\$123,457,003.00</b>	<b>\$124,979,400.17</b>	<b>\$120,953,874.00</b>	<b>\$144,169,084.78</b>
<b>EXPENDITURES</b>						
Certificated Salaries	\$ 46,508,937.00	\$ 45,110,144.27	\$ 47,645,533.00	\$ 48,264,319.86	\$ 48,715,747.00	\$ 48,843,247.02
Classified Salaries	17,813,729.00	19,544,616.26	19,689,616.00	19,822,319.74	19,580,577.00	20,974,817.82
Employee Benefits	26,876,247.00	27,387,259.48	29,678,544.00	28,886,016.75	28,746,702.00	29,548,780.81
Books and Supplies	7,494,855.00	5,961,496.00	6,857,607.00	5,739,641.59	8,694,050.00	19,314,397.23
Services, Other Operating Expenses	10,970,022.00	12,989,462.26	12,651,750.00	10,183,758.55	12,474,058.00	14,315,622.19
Capital Outlay	2,344,372.00	3,386,103.49	1,842,595.00	2,274,055.25	450,125.00	4,510,888.33
Other Outgo (excluding Direct Support/Indirect Costs)	5,157,412.00	6,817,978.10	4,969,125.00	3,359,987.06	5,370,502.00	5,370,502.00
Other Outgo - Transfers of Indirect Costs	(1,151,883.00)	(1,164,122.60)	(1,192,301.00)	(1,055,514.97)	(1,009,359.00)	(1,052,705.99)
<b>TOTAL EXPENDITURES</b>	<b>\$116,013,691.00</b>	<b>\$120,032,937.26</b>	<b>\$122,142,469.00</b>	<b>\$117,474,583.83</b>	<b>\$123,022,402.00</b>	<b>\$141,825,549.41</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>5,091,915.00</b>	<b>3,792,270.84</b>	<b>1,314,534.00</b>	<b>7,504,816.34</b>	<b>(2,068,528.00)</b>	<b>2,343,535.37</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Inter-fund Transfers In	-	-	-	2,962,179.37	-	-
Inter-fund Transfers Out <sup>(2)</sup>	(1,000,000.00)	(2,984,675.85)	(2,089,599.00)	(1,026,791.06)	(1,573,431.00)	(1,596,652.00)
<b>TOTAL, OTHER FINANCING SOURCES (USES)</b>	<b>(1,000,000.00)</b>	<b>(2,984,675.85)</b>	<b>(2,089,599.00)</b>	<b>1,935,388.31</b>	<b>(1,573,431.00)</b>	<b>(1,596,652.00)</b>
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	<b>4,091,915.00</b>	<b>807,594.99</b>	<b>(775,065.00)</b>	<b>9,440,204.65</b>	<b>(3,641,959.00)</b>	<b>746,883.37</b>
<b>BEGINNING BALANCE, as of July 1</b>	<b>25,833,051.31</b>	<b>31,059,585.00</b>	<b>30,511,553.00</b>	<b>34,582,729.35</b>	<b>35,621,453.61</b>	<b>44,022,934.00</b>
<b>Audit Adjustments<sup>(3)</sup></b>	<b>-</b>	<b>2,715,549.36</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Adjusted Beginning Balance</b>	<b>25,833,051.31</b>	<b>33,775,134.36</b>	<b>30,511,553.00</b>	<b>34,582,729.35</b>	<b>35,621,453.61</b>	<b>44,022,934.00</b>
<b>ENDING BALANCE</b>	<b>\$ 29,924,966.31</b>	<b>\$ 34,582,729.35</b>	<b>\$ 29,736,488.00</b>	<b>\$ 44,022,934.00</b>	<b>\$ 31,979,494.61</b>	<b>\$ 44,769,817.37</b>
<b>Unrestricted Ending Balance</b>	<b>\$ 26,550,119.37</b>	<b>\$ 30,166,781.96</b>	<b>\$ 26,916,799.00</b>	<b>\$ 41,841,051.37</b>	<b>\$ 27,961,552.82</b>	<b>\$ 38,401,399.77</b>
<b>Restricted Ending Balance</b>	<b>\$ 3,374,846.94</b>	<b>\$ 4,415,947.39</b>	<b>\$ 2,819,689.00</b>	<b>\$ 2,181,882.63</b>	<b>\$ 4,017,941.79</b>	<b>\$ 6,368,417.60</b>

<sup>(1)</sup> The unaudited actuals shown here are for the General Fund only and do not agree with the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance shown in the District's audited financial statements for the corresponding fiscal years because the amounts on the Statement of Revenues, Expenditures, and Changes in Fund Balance include the financial activity of the Special Reserve Fund for Other Than Capital Outlay in accordance with GASB Statement No. 54.

<sup>(2)</sup> Transfers out to Deferred Maintenance Fund and Special Reserve Fund for Other Than Capital Outlay.

<sup>(3)</sup> Audit adjustment for savings in OPEB costs that were not expensed.

Source: Marysville Joint Unified School District adopted general fund budgets for fiscal years 2018-19 through 2020-21; unaudited actuals for fiscal years 2018-19 and 2019-20; and first interim report for fiscal year 2020-21.

## District Debt Structure

**Long-Term Debt Summary.** A schedule of changes in the District’s long-term obligations for the year ended June 30, 2020, consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 75,584,522	\$ -	\$2,080,000	\$ 73,504,522	\$2,245,000
Unamortized premium	3,352,796	-	246,410	3,106,386	246,410
Accreted interest	2,402,382	567,837	-	2,970,219	-
Total general obligation bonds	81,339,700	567,837	2,326,410	79,581,127	2,491,410
Certificates of participation <sup>(1)</sup>	18,376,099	-	-	18,376,099	-
Accreted interest	8,701,501	1,573,276	-	10,274,777	-
Total certificates of participation	27,077,600	1,573,276	-	28,650,876	-
Capital leases	230,278	-	155,708	74,570	74,570
Compensated absences	632,262	202,366	-	834,628	-
Total OPEB liability	17,998,429	972,116	-	18,970,545	-
Net pension liability	114,804,316	1,728,508	-	116,532,824	-
Total	<u>\$242,082,585</u>	<u>\$5,044,103</u>	<u>\$2,482,118</u>	<u>\$244,644,570</u>	<u>\$2,565,980</u>

<sup>(1)</sup> Does not reflect the execution and delivery of the Certificates. For more information on the execution and delivery of the 2020 Refunding Certificates and refunding of the Prior Certificates on a crossover basis, see “ – *Certificates of Participation*” below.  
Source: Marysville Joint Unified School District Audited Financial Statement for fiscal year 2019-20.

**Compensated Absences.** The total unpaid employee compensated absences as of June 30, 2020 amounted to \$834,628, which is reflected as a long-term liability of the District.

**General Obligation Bonds.** At an election held on June 6, 2006, the District received authorization under Measure J to issue general obligation bonds of the District in an aggregate principal amount not to exceed \$26,000,000 to improve the quality of education by repairing and modernizing worn-out local schools, such as repairing, upgrading or replacing roofs, heating/air conditioning and plumbing systems; constructing, acquiring, converting, furnishing and equipping school facilities (collectively, the “Measure H Authorization”). Measure H required approval by at least 55% of the votes cast by eligible voters within the District and received an approval vote of approximately 57.33%. On September 14, 2006, Yuba County, at the request of the District, issued \$18,000,000 aggregate principal amount of its General Obligation Bonds, Election of 2006, Series 2006 (the “2006 Election Series 2006 Bonds”) as its first series of bonds issued under the Measure H Authorization. On September 18, 2008, Yuba County, at the request of the District, issued \$19,000,000 aggregate principal amount of its General Obligation Bonds, Election of 2006, Series 2008 (the “2006 Election Series 2008 Bonds”) as its second and final series of bonds issued under the Measure H Authorization.

At an election held on November 4, 2008, the District received authorization under Measure P to issue general obligation bonds of the District in an aggregate principal amount not to exceed \$47,000,000 to improve the quality of education by repairing, replacing or updating fire alarm systems, worn-out rooms, outdated classrooms and science labs, plumbing and heating/air conditions systems (collectively, the “Measure P Authorization”). Measure P required approval by at least 55% of the votes cast by eligible voters within the District and received an approval vote of approximately 62.4%. On August 25, 2009, Yuba County, at the request of the District, issued \$34,433,776.80 aggregate initial principal amount of its General Obligation Bonds, Election of 2008, Series 2009 (the “2008 Election Series 2009 Bonds”) as its first series of bonds issued under the Measure P Authorization. On November 14, 2018, Yuba County, at the request of the District, issued \$12,565,745.15 aggregate initial principal amount if its General

Obligation Bonds, Election of 2008, Series 2018 as its second and final series of bonds issued under the Measure P Authorization.

On November 13, 2014, the District issued \$33,490,000 aggregate principal amount of its 2014 General Obligation Refunding Bonds to refund a portion of the outstanding 2006 Election Series 2006 Bonds and the outstanding 2006 Election Series 2008 Bonds.

On November 10, 2016, the District issued \$28,515,000 aggregate principal amount of its 2016 General Obligation Refunding Bonds to refund the outstanding 2008 Election Series 2009 Bonds.

The outstanding bonded debt of the District as of June 30, 2020 is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2019	Additions	Deductions	Outstanding June 30, 2020
11/13/2014	8/1/2033	3.0-5.0%	\$33,490,000	\$30,520,000	\$-	\$ 960,000	\$29,560,000
8/25/2009	8/1/2036	5.0-10	34,433,777	4,743,777	-	860,000	3,883,777
11/10/2016	8/1/2034	2.75-5.0	28,515,000	27,755,000	-	260,000	27,495,000
11/14/2018	8/1/2041	3.0-5.0	12,565,745	12,565,745	-	-	12,565,745
				\$75,584,522	\$-	\$2,080,000	\$73,504,522

Source: Marysville Joint Unified School District Audited Financial Statement for fiscal year 2019-20.

**Certificates of Participation.** On July 17, 2012, the District caused its 2012 Certificates of Participation (Refunding and Capital Projects) (the “Prior Certificates”) to be executed and delivered in the aggregate initial principal amount of \$18,376,098.50 for the purpose of financing certain capital projects and refunding the District’s 2006 Certificates of Participation. On November 12, 2020, the District caused its Refunding Certificates of Participation, Series 2020 (Federally Taxable – Crossover Refunding) (the “2020 Refunding Certificates”) to be executed and delivered in the aggregate principal amount of \$33,895,000 to refund, on a crossover basis, all of the outstanding Prior Certificates on June 1, 2022 (the “Crossover Date”). Prior to and on the Crossover Date, the base rental payments evidenced by the 2020 Refunding Certificates are payable from the proceeds of the 2020 Refunding Certificates deposited into an escrow fund established therefor. After the Crossover Date, the 2020 Refunding Certificates are payable by the District from any source of legally available funds. The 2020 Refunding Certificates mature on July 1, 2042.

**Capital Leases.** In February 2010, the District entered into a capital lease purchase agreement with Capital One Bank, for \$1,535,000 to finance the purchase of District school buses. The District is required to make lease payments of principal and interest in conjunction with these capital leases through calendar year 2020. Scheduled payments for the related capital lease are as follows:

Year Ended June 30,	Lease Payment
2021	\$94,645
Total minimum lease payments	94,645
Less amount representing interest	(20,075)
Present value of minimum lease payments	\$74,570

Source: Marysville Joint Unified School District Audited Financial Statement for fiscal year 2019-20.

***[Does the District have plans to enter into any other capital leases?]***

**Other Post-Employment Benefits (OPEB).** In addition to the retirement plan benefits with the CalSTRS and CalPERS (defined below), the District administers the Marysville Joint Unified School District Retiree Benefit Plan (the “Plan”). The Plan is a single-employer defined benefit OPEB plan that provides OPEB for eligible certificated, management, operating engineers, and supervisors of the District. The eligibility requirements and benefits provided by the Plan are as follows:

	Certificated	Management	Operating Engineers	Supervisors
Benefit types provided	Medical only	Medical only	Medical only	Medical only
Duration of Benefits	To age 65	To age 65	To age 65	To age 65
Required Service	15 years	15 years	25 years	20 years
Minimum Age	55	55	55	55
Dependent Coverage	Yes	Yes	Yes	Yes
District Contribution %	100%	100%	100%	100%
District Cap	\$1,095 per month	None	Active Cap	Active Cap

Source: Marysville Joint Unified School District Audited Financial Statement for fiscal year 2019-20.

As of June 30, 2019 (the valuation and measurement date of the Actuarial Valuation (defined below)), the Plan membership consisted of 457 total participants, which included 42 inactive employees receiving benefits and 415 participating active employees currently receiving benefits.

No assets are accumulated in a trust that meets the criteria of GASB Statement No.75 (defined below). The contribution requirements of the Plan members and the District are established and may be amended by the District, the Marysville Teachers’ Association (“MTA”) and the local California Service Employees Association (“CSEA”). For fiscal year 2019-20, the District contributed \$885,981 to the Plan, all of which was used for current premiums.

Total Compensation Systems, Inc. has prepared an actuarial valuation (the “Actuarial Valuation”) covering the Plan as of the June 30, 2019 valuation and measurement date. The Actuarial Valuation assumes, among other things, a discount rate of 3.50%, an annual healthcare cost trend rate of 4.00%, an investment rate of return of 3.50%, an inflation rate of 2.75%, and a salary increase rate of 2.75%.

The following table sets forth the changes in the total OPEB liability for fiscal year 2019-20:

	June 30, 2020
<b>Total OPEB Liability</b>	
Service Cost	\$ 1,204,724
Interest on total OPEB liability	688,011
Changes of benefit terms	478,790
Difference between expected and actual experience	(104,474)
Changes of assumptions	(408,954)
Benefit payments	(885,981)
Net change in total OPEB liability	972,116
Total OPEB liability - beginning	17,998,429
Total OPEB liability - ending	\$ 18,970,545
Covered-employee payroll	\$74,851,621
District’s total OPEB liability as a percentage of covered-employee payroll	25.3%

For more information regarding the District’s OPEB obligations and liabilities for fiscal year 2019-20, see Note 10 to the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2020.”

In June 2015, the Governmental Accounting Standards Board (“GASB”) issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (“Statement Number 75”). OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. The objective of Statement Number 75 is to improve accounting and financial reporting by the State and local governments for OPEB by requiring the recognition of entire OPEB liability, a more comprehensive measure of OPEB expense, new note disclosures and certain required supplementary information. In addition, Statement Number 75 sets forth additional accounting methods to improve the usefulness of information about OPEB included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. Statement Number 75 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. Statement Number 75 replaces GASB Statements Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and Number 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. The District has implemented Statement Number 75 in its financial statements beginning with fiscal year 2017-18.

***Tax and Revenue Anticipation Notes.*** The District did not issue tax and revenue anticipation notes (“TRANS”) or borrow funds to supplement the District’s cash flow in fiscal years 2018-19 and 2019-20. Despite deferrals in State funding, the District does not plan to issue TRANS in fiscal year 2020-21. See “State Funding of Education; State Budget Process – 2020-21 State Budget” for more information regarding State funding deferrals. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow.

### **Direct and Overlapping Debt**

Set forth on the following page is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective January 7, 2021 for debt outstanding as of January 1, 2021. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two sets forth the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not set forth in the table) produces the amount set forth in column three, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

The schedule generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
(Yuba and Butte Counties, California)**

January 7, 2021

2020-21 Assessed Valuation: \$4,892,126,523

	% Applicable	Debt 1/1/21
<b><u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u></b>		
Yuba Joint Community College District	13.874%	\$ 26,228,950
Marysville Joint Unified School District	100.000	71,059,522 <sup>(1)</sup>
Yuba County Community Facilities Districts	100.000	12,670,000
California Statewide Community Development Authority 1915 Act Bonds	100.000	1,024,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$110,982,472
<b><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u></b>		
Butte County Certificates of Participation	0.237%	\$ 47,670
Butte County Pension Obligation Bonds	0.237	105,714
Yuba County General Fund Obligations	73.025	39,055,596
Yuba County Board of Education Certificates of Participation	73.025	684,596
Yuba Joint Community College District General Fund Obligations	13.874	2,110,112
Marysville Joint Unified School District	100.000	18,376,099 <sup>(2)</sup>
City of Marysville General Fund Obligations	100.000	7,769,278
City of Marysville Pension Obligation Bonds	100.000	14,745,000
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$ 82,894,065
COMBINED TOTAL DEBT		\$193,876,537 <sup>(3)</sup>

**Ratios to 2020-21 Assessed Valuation:**

Direct Debt (\$71,059,522).....	1.54%
Total Direct and Overlapping Tax and Assessment Debt.....	2.27%
Combined Direct Debt (\$89,435,621) .....	1.83%
Combined Total Debt .....	3.96%

<sup>(1)</sup> Excludes accreted values.

<sup>(2)</sup> Excludes the Certificates and the 2020 Refunding Certificates; includes the Prior Certificates. For more information on the 2020 Refunding Certificates and the Prior Certificates, see “District History, Operation, and Financial Information – District Debt Structure – *Certificates of Participation*” herein.

<sup>(3)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

**Employment**

As of December 2020, the District employed approximately [\_\_\_\_\_] full-time equivalent (“FTE”) certificated employees, [\_\_\_\_\_] FTE classified non-management employees and [\_\_\_\_\_] classified management employees. For fiscal year 2019-20, the total certificated and classified payrolls were approximately \$48.26 million and \$19.82 million, respectively. For fiscal year 2020-21, the total certificated and classified payrolls are projected to be approximately \$48.84 million and \$20.97 million, respectively.

The District’s certificated and classified employees are represented by formal bargaining organizations as set forth in the table below.

Name of Bargaining Unit	Number of FTEs Represented	Current Contract Expiration Date
Marysville Unified Teachers’ Association	[427]	June 30, 2023
California School Employees Association #328 and 648	[175]	June 30, 2023
Operating Engineers Local #3	[228]	June 30, 2024

Source: Marysville Joint Unified School District.

Annually, each bargaining unit is able to reopen negotiations regarding salary and health and welfare benefits. In addition, each bargaining unit, along with the District is permitted to reopen on two language articles within its respective agreement. Additional articles may be reopened, if mutually agreed to by the parties. For fiscal year 2019-20, all bargaining units received a 2% salary increase. [The District is currently negotiating COVID-19 working conditions for fiscal year 2020-21 with all of its bargaining units.] ***[District to provide update on status of COVID negotiations and any other pending or anticipated negotiations.]***

### Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, including teachers and administrators, and CalPERS, which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

**CalSTRS.** The CalSTRS defined benefit pension plan provides retirement benefits (generally 2% of final compensation for each year of credited service) to participating employees based on hiring date, age, final compensation and years of credited service. The CalSTRS benefit pension plan is funded through a combination of investment earnings and statutorily set contributions from participating employees, employers (including the District) and the State. Prior to fiscal year 2014-15, the statutorily set rates did not vary annually to adjust for funding shortfalls or actuarial surpluses. As a result, the combined employee, employer and State contributions to CalSTRS were not sufficient to pay actuarially determined amounts. To address the shortfall and implement a new funding strategy, Governor Brown signed into law Assembly Bill 1469 on June 24, 2014, as part of the fiscal year 2014-15 State budget (the “2014-15 State Budget”). The 2014-15 State Budget introduced phased increases to employee, employer and State contributions to CalSTRS and sets forth a plan to eliminate CalSTRS’ unfunded liability by June 30, 2046.

The 2014-15 State Budget increased employee contributions, which were previously set at 8.00% of pay, to 10.25% of pay for members hired on or before December 31, 2012 and 9.205% of pay for members hired on or after January 1, 2013 effective July 1, 2016. On July 1, 2018, the rate increased to 10.250% of pay for employees hired on or after January 1, 2013. Employer contribution rates were also increased in fiscal year 2014-15 to 8.88% of payroll, with such rate increasing by 1.85% each year thereafter, plateauing at 19.10% of payroll in July 2020. However, due to supplemental payments of approximately \$850 million pursuant to the 2019-20 State Budget, employer contribution rates decreased from 18.13% to 17.10% in fiscal year 2019-20 and 19.10% to 18.40% in fiscal year 2020-21. In addition, pursuant to the 2020-21 State Budget, employer contribution rates are expected to decrease from 18.40% to 16.15% in fiscal year 2020-21 and from 17.10% to 16.02% in fiscal year 2021-22 (see table below). The State’s total contribution was increased from approximately 3% in fiscal year 2013-14 to 6.828% of payroll in fiscal year 2017-18, and to 10.828% of payroll in fiscal year 2020-21. The State’s contribution includes an annual payment of 2.5% of payroll pursuant to a supplemental inflation protection program.

Pursuant to the 2014-15 State Budget, employer contribution rates, including school districts' contribution rates, will increase in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	17.10*
2020	16.15†
2021	16.02†

\* Pursuant to the fiscal year 2019-20 State budget.

† Pursuant to the 2020-21 State Budget. See “– State Funding of Education; State Budget Process – 2020-21 State Budget.”

Source: Assembly Bill 1469.

The following table sets forth the District's employer contributions to CalSTRS as well as the State's non-employer contributions to CalSTRS on behalf of the District for fiscal years 2016-17 through 2019-20, and the projected contribution for fiscal year 2020-21.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
(Yuba and Butte Counties, California)  
Contributions to CalSTRS for Fiscal Years 2016-17 through 2020-21**

Fiscal Year	District Contribution	State's STRS On-Behalf Amounts
2016-17	\$5,225,026	\$2,345,369
2017-18	6,398,459	3,091,083
2018-19	7,222,093	3,671,788
2019-20	8,159,987	5,639,520
2020-21 <sup>(1)</sup>	[ ]	[ ]

<sup>(1)</sup> First interim report for fiscal year 2020-21.

Source: Marysville Joint Unified School District.

The District's total employer contributions to CalSTRS for fiscal years 2016-17 through 2019-20 were equal to 100% of the required contributions for each year. Pursuant to the 2014-15 State Budget, beginning in fiscal year 2021-22, the State Teachers Retirement Board is required to increase or decrease employer contribution rates to the rates designed to eliminate the CalSTRS unfunded liability by June 30, 2046. A decrease in investment earnings may result in increased employer contribution rates in order to timely eliminate the CalSTRS unfunded liability. As the world is currently experiencing a pandemic, the District cannot predict the impact of the outbreak of COVID-19 on investment earnings and employer contribution rates. See “RISK FACTORS – Infectious Disease Outbreak.” However, under existing law, the State Teachers Retirement Board may not increase the employer contribution rate by more than 1% in any fiscal year up to a maximum contribution rate of 20.25%. The State Teachers Retirement Board may also adjust the State's contribution rate by a maximum of 0.5% from year to year, based on the funding status of the CalSTRS actuarially determined unfunded liability.

As of June 30, 2019, the actuarial valuation (the “2019 CalSTRS Actuarial Valuation”) for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of \$105.7 billion, a decrease of approximately \$1.5 billion from the June 30, 2018 valuation. The funded ratios of the

actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2019 and June 30, 2018, based on the actuarial assumptions, were approximately 66.0% and 64.0%, respectively. According to the 2019 CalSTRS Actuarial Valuation, the funded ratio increased by 2.0% during the past year and has decreased by approximately 12% over the past 10 years. As described in the 2019 CalSTRS Actuarial Valuation, the additional State contribution and the return on the actuarial value of assets (7.7%) that exceeded the assumed return (7%) were the primary causes of the increase in the funded ratio from the prior year valuation. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The following are certain of the actuarial assumptions set forth in the 2019 CalSTRS Actuarial Valuation: measurement of accruing costs by the “Entry Age Normal Actuarial Cost Method,” an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% projected wage growth, and 2.75% projected inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The 2019 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See “– *Governor’s Pension Reform*” below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

**CalPERS.** All qualifying classified employees of K-12 school districts in the State are members in CalPERS. All school districts contributing to CalPERS participate in the same plan and share the same contribution rate in each year. However, unlike contributions to CalSTRS, which incrementally increase at statutorily set rates, school districts’ contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability of CalPERS. Accordingly, the District cannot provide any assurances that the District’s required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

CalPERS is funded by employee contributions and investment earnings, with the balance of the funding provided by employer contributions. School districts’ contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot make any predictions as to the effect of a global pandemic, including the outbreak of COVID-19, on investment earnings and school district contributions. See “RISK FACTORS – Infectious Disease Outbreak” for more information about the impact of COVID-19. Participating employees enrolled in CalPERS prior to January 1, 2013 contribute 7.00% of their respective salaries, while participating employees enrolled after January 1, 2013 contribute the higher of fifty percent of normal costs of benefits or an actuarially determined rate of 7.00% in fiscal year 2019-20. School districts are required to contribute to CalPERS at an actuarially determined rate, which was 18.062% of eligible salary expenditures for fiscal year 2018-19 and originally 20.733% and 22.68% for fiscal years 2019-20 and 2020-21, respectively. However, the employer contribution rate for fiscal year 2019-20 was reduced to 19.721% as a result of the State’s buydown of employer contribution rates in fiscal year 2019-20. Similarly, the 2020-21 State Budget allocates funding to buy down employer contribution rates in fiscal years 2020-21 and 2021-22 to an estimated 20.70% and 22.84%, respectively. See “DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process – 2020-21 State Budget.”

The CalPERS Schools Pool Actuarial Valuation as of June 30, 2018 (the “2018 CalPERS Schools Pool Actuarial Valuation”) reported an actuarial accrued liability of \$92.07 billion with the market value of assets at \$64.85 billion, and a funded status of 70.4%. The actuarial funding method used in the 2018 CalPERS Schools Pool Actuarial Valuation is the “Entry Age Normal Cost Method.” The 2018 CalPERS Schools Pool Actuarial Valuation assumes, among other things, 2.625% inflation and payroll growth of 2.875% compounded annually. The 2018 CalPERS Schools Pool Actuarial Valuation reflects a discount rate of 7.25% compounded annually (net of administrative expenses) as of June 30, 2018 and 7.00% compounded annually (net of administrative expenses) as of June 30, 2019. The CalPERS Board adopted new demographic assumptions on December 19, 2017, including a reduction in the inflation assumption from 2.625% as of June 30, 2018 to 2.50% as of June 30, 2019. The reduction in the inflation assumption results in decreases in both the normal cost and the accrued liabilities in the future.

The following table sets forth the District’s total employer contributions to CalPERS for fiscal years 2016-17 through 2019-20, and the projected contribution for fiscal year 2020-21.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**(Yuba and Butte Counties, California)**  
**Contributions to CalPERS for Fiscal Years 2016-17 through 2020-21**

Fiscal Year	Contribution
2016-17	\$2,521,676
2017-18	2,930,228
2018-19	3,647,455
2019-20	4,157,443
2020-21 <sup>(1)</sup>	4,203,393

<sup>(1)</sup> First interim report for fiscal year 2020-21.  
Source: Marysville Joint Unified School District

The District’s total employer contributions to CalPERS for fiscal years 2016-17 through 2019-20 were equal to 100% of the required contributions for each year.

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

***Governor’s Pension Reform.*** On August 28, 2012, Governor Brown and the State Legislature reached agreement on a law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees’ Pension Reform Act of 2012 (“PEPRA”) which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is \$137,300 for 2020, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires State employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law.

CalSTRS and CalPERS are more fully described in Note 11 to the District’s financial statements in APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2020.”

### **Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures**

The District participates in two joint ventures under joint powers authorities (“JPA”), Schools Insurance Group for workers’ compensation and Northern California Schools Insurance Group for property and liability. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in the District’s financial statements. However, fund transactions between the JPAs and the District are included in the District’s statements. The audited financial statements are generally available from the respective entities.

See Note 13 to the District’s audited financial statements in APPENDIX B — “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2020” for more information.

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS**

### **Limitations on Revenues**

On June 6, 1978, California voters approved Proposition 13 (“Proposition 13”), which added Article XIII A to the State Constitution (“Article XIII A”). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment.” This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

***County of Orange v. Orange County Assessment Appeals Board No. 3.*** Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new “base year value”

for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

**Legislation Implementing Article XIII A.** Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

The tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

### **Article XIII B of the California Constitution**

An initiative to amend the State Constitution entitled “Limitation of Government Appropriations” was approved on September 6, 1979, thereby adding Article XIII B to the State Constitution (“Article XIII B”). Under Article XIII B state and local governmental entities have an annual “appropriations limit” and are not permitted to spend certain moneys which are called “appropriations subject to limitation” (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the “appropriations limit.” Article XIII B does not affect the appropriation of moneys which are excluded from the definition of “appropriations subject to limitation,” including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the “appropriations limit” is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIII B, if these entities’ revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State’s allowable limit.

### **Article XIII C and Article XIII D of the California Constitution**

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California Constitution Articles XIII C and XIII D (“Article XIII C” and “Article XIII D,” respectively), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its

maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic 1% *ad valorem* property tax levied and collected by the Counties pursuant to Article XIII A of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

### **Statutory Limitations**

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

### **Proposition 98 and Proposition 111**

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit. The Accountability Act guarantees State funding for K-12 districts and community college districts (collectively, "K-14 districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9%, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget

over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State's ability to fund such other programs by raising taxes.

The Accountability Act also changes how tax revenues in excess of the State Appropriations Limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 districts. Such transfer would be excluded from the Appropriations Limit for K-14 districts and the K-14 districts Appropriations Limits for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B surplus. The maximum amount of excess tax revenues which could be transferred to schools is 4% of the minimum State spending for education mandated by the Accountability Act, as described above.

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

#### **Assembly Bill No. 26 & California Redevelopment Association v. Matosantos**

On February 1, 2012, pursuant to the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a

former redevelopment agency were transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

It is possible that there will be additional legislation proposed and/or enacted to clarify various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a “tax claw back” provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This “tax claw back” provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

### **Proposition 30 and Proposition 55**

On November 6, 2012, voters approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State’s income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see “– Proposition 98 and Proposition 111” above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 sales and use tax increases expired at the end of the 2016 tax year. Under Proposition 30, the personal income tax increases were set to expire at the end of the 2018 tax year. However, the California Tax Extension to Fund Education and Healthcare Initiative (“Proposition 55”), approved by the voters on November 8, 2016, extends by 12 years the temporary personal income tax increases on incomes over \$250,000 that was first enacted by Proposition 30; Proposition 55 did not extend the sales and use tax increases imposed by Proposition 30. Revenues from the income tax increase under Proposition 55 will be allocated to school districts and community colleges in the State.

### **Applications of Constitutional and Statutory Provisions**

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see “DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION — State Funding of Education; State Budget Process.”

## **Proposition 2**

**General.** Proposition 2, which included certain constitutional amendments to the Rainy Day Fund and, upon its approval, triggered the implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by the voters in the November 2014 election.

**Rainy Day Fund.** The Proposition 2 constitutional amendments related to the Rainy Day Fund (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the "Public School System Stabilization Account") to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created. See "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process – 2020-21 State Budget."

**SB 858.** Senate Bill 858 ("SB 858") became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an A.D.A. of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

**SB 751.** Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediately after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

The District, which has an A.D.A. of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses.

## **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D, as well as Propositions 2, 30, 55, 62, 98, 111 and 218, were each adopted as measures that qualified for the ballot pursuant to the State's initiative

process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenue.

## **RATINGS**

The Certificates were assigned an underlying rating of “[\_]” by S&P. The rating agency may have obtained and considered information and material which has not been included in this Official Statement. Generally, rating agencies base their ratings on information and material so furnished and on investigations, studies and assumptions made by them (which may include information and material from the District which is not included in this Official Statement). The rating is not a recommendation to buy, sell or hold the Certificates. The rating reflects only the view of the rating agency and an explanation of the significance of its rating may be obtained from it. There is no assurance that a rating of a rating agency will be maintained for any given period of time or that such rating may not be revised downward or withdrawn entirely by the rating agency, if in its own judgment, circumstances warrant. Any such downward change in or withdrawal may have an adverse effect on the market price of the Certificates. Neither the Underwriter nor the District has undertaken any responsibility after the execution and delivery of the Certificates to assure the maintenance of the rating or to oppose any such revision or withdrawal.

In addition, S&P is expected to assign its insured rating of “[\_]” to the Certificates with the understanding that upon delivery of the Certificates, the Insurance Policy will be delivered by the Insurer. See also “CERTIFICATE INSURANCE” herein. Such rating is expected to be assigned solely as a result of the issuance of the Insurance Policy and would reflect only S&P's view of the claims-paying ability and financial strength of the Insurer. Neither the Underwriter nor the District has made any independent investigation of the claims-paying ability of the Insurer and no representation is made that the insured rating of the Certificates based upon the purchase of the Insurance Policy will remain the same. The existence of the Insurance Policy will not, of itself, negatively affect the underlying ratings. However, any downward revision or withdrawal of any rating of the Insurer may have an adverse effect on the market price or marketability of the Certificates.

## **TAX MATTERS**

[In the opinion of Orrick, Herrington & Sutcliffe LLP, special counsel to the District (“Special Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each Base Rental Payment designated as and constituting interest paid by the District under the Lease Agreement and received by the Owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”) and is exempt from State of California personal income taxes. Special Counsel is of the further opinion that interest evidenced by the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Special Counsel is set forth in Appendix C hereto.

To the extent the issue price of any scheduled principal payment of the Certificates is less than the amount payable on the scheduled principal payment date of such Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Certificates), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest evidenced by the Certificates which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular scheduled principal payment date of the Certificates is the first price at which a substantial amount of such scheduled principal payment date of the Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or

wholesalers). The original issue discount with respect to any schedule principal payment date of the Certificates accrues daily over the term to the scheduled principal payment date of such Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Certificates to determine taxable gain or loss upon disposition (including sale, redemption, or payment on scheduled principal date) of such Certificates. Beneficial Owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of Beneficial Owners who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Certificates purchased, whether at original execution and delivery thereof or otherwise, for an amount higher than their principal evidenced thereby payable on the scheduled principal payment date thereof (or, in some cases, at their earlier prepayment date) (“Premium Certificates”) will be treated as having amortizable premium. No deduction is allowable for the amortizable premium in the case of obligations, like those evidenced by the Premium Certificates, the interest with respect to which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Certificate, will be reduced by the amount of amortizable premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest evidenced by obligations such as the Certificates. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest evidenced by the Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest evidenced by the Certificates being included in gross income for federal income tax purposes, possibly from the date of original execution and delivery of the Certificates. The opinion of Special Counsel assumes the accuracy of these representations and compliance with these covenants. Special Counsel has not undertaken to determine (or to inform any person), whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Counsel’s attention after the date of execution and delivery of the Certificates may adversely affect the value of, or the tax status of interest evidenced by, the Certificates. Accordingly, the opinion of Special Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Counsel is of the opinion that interest evidenced by the Certificates is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest evidenced by, the Certificates may otherwise affect a Certificate holder’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest evidenced by the Certificates to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding the potential impact of any

pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel is expected to express no opinion.

The opinion of Special Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Counsel's judgment as to the proper treatment of the Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Special Counsel's engagement with respect to Certificates ends with the execution and delivery of the Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Certificates for audit, or the course or result of such audit, or an audit of obligations presenting similar tax issues may affect the market price for, or the marketability of, the Certificates, and may cause the District or the Beneficial Owners to incur significant expense.]

#### **CERTAIN LEGAL MATTERS**

Orrick, Herrington & Sutcliffe LLP, Special Counsel to the District, will render its opinion with respect to the legality of the Lease Agreement and the Trust Agreement. The form of the legal opinion proposed to be delivered by Special Counsel is included as Appendix C to this Official Statement. Special Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, for the Underwriter by Dannis Woliver Kelley, and for the District and the Corporation by Kingsley Bogard, LLP. From time to time, Orrick, Herrington & Sutcliffe LLP may represent the Underwriter on matters unrelated to the Certificates.

#### **MUNICIPAL ADVISOR**

Isom Advisors, a Division of Urban Futures, Inc. (the "Municipal Advisor"), has been engaged by the District to perform financial services in connection with the delivery of the Certificates and certain other financial matters. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The Municipal Advisor is not contractually obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

#### **ABSENCE OF MATERIAL LITIGATION**

At the time of delivery of and payment for the Certificates, the District will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental or public entity pending or, to the best knowledge of the District, threatened against the District (i) which affects or seeks to prohibit, restrain or enjoin the execution or delivery of the Certificates, the Lease Agreement, the Ground Lease, the Trust Agreement, the Assignment Agreement or the Continuing

Disclosure Certificate, (ii) contesting the validity of the Lease Agreement, the Ground Lease, the Trust Agreement, the Assignment Agreement or the Continuing Disclosure Certificate, the powers of the District to enter into or perform its obligations under the Lease Agreement, the Ground Lease, the Trust Agreement or the Continuing Disclosure Certificate, or the existence or powers of the District, or (iii) which, if determined adversely to the District, would materially impair the District's ability to meet its obligations under the Lease Agreement or materially and adversely affect the District's financial condition.

[The District is occasionally subject to other lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.]

## **UNDERWRITING**

The Certificates are to be purchased by D.A. Davidson & Co. (the "Underwriter"). The Underwriter has agreed, subject to certain terms and conditions set forth in the Certificate Purchase Agreement, dated \_\_\_\_\_, 2021, by and between the Underwriter and the District, to purchase the Certificates at a purchase price of \$\_\_\_\_\_ (which represents the aggregate principal amount of the Certificates, [plus/less] [net] original issue [premium/discount], less \$\_\_\_\_\_ of Underwriter's discount). The Underwriter will purchase all the Certificates if any are purchased. The Certificates may be offered and sold to certain dealers (including dealers depositing said Certificates into investment trusts) and others at prices lower than the initial public offering price, and the public offering price may be changed from time to time by the Underwriter.

**MISCELLANEOUS**

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Certificates.

The execution and delivery of this Official Statement has been duly authorized by the District.

**MARYSVILLE JOINT UNIFIED SCHOOL  
DISTRICT**

By: \_\_\_\_\_  
Superintendent

**APPENDIX A**  
**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

**APPENDIX B**

**FINANCIAL STATEMENTS OF THE DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**APPENDIX C**  
**FORM OF SPECIAL COUNSEL OPINION**

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## APPENDIX E

### YUBA COUNTY INVESTMENT POLICY AND QUARTERLY INVESTMENT REPORT

*The following information has been supplied by the County of Yuba (“Yuba County”) Office of the Treasurer-Tax Collector. Neither the District nor the Underwriter can make any representations regarding the accuracy and completeness of the information.*

*Neither the District nor the Underwriter has made an independent investigation of the investments in the Yuba County Investment Pool (the “Investment Pool”) or an assessment of the current Statement of Investment Policy (the “Investment Policy”). The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, Yuba County may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein.*

## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

*The following information has been provided by DTC for use in securities offering documents, and none of the District, the Corporation or the Underwriter takes any responsibility for the accuracy or completeness thereof.*

1. The Depository Trust Company (“DTC”), will act as securities depository for the Certificates. The Certificates will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Certificate will be issued for each stated Principal Payment Date of the Certificates, each in the aggregate amount of the principal evidenced by Certificates with such stated Principal Payment Date, and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The information on such website is not incorporated into this Official Statement by reference or otherwise.

3. Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC’s records. The ownership interest of each actual purchaser of each Certificate (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

4. To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be

requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Prepayment notices will be sent to DTC. If less than all of the Certificates with a particular stated Principal Payment Date are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Certificates to be prepaid.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Payments of principal, premium, if any, interest and other payments evidenced by the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, interest and other payments evidenced by the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, and disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Certificates are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

THE DISTRICT, THE CORPORATION AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO PARTICIPANTS, OR THAT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR ANY PREMIUM EVIDENCED BY THE CERTIFICATES PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR ANY PREPAYMENT OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE DISTRICT, THE CORPORATION AND THE TRUSTEE ARE NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANTS TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE CERTIFICATES OR ANY ERROR OR DELAY RELATING THERETO.

THE FOREGOING DESCRIPTION OF THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE CERTIFICATES, PAYMENT OF PRINCIPAL, INTEREST AND OTHER PAYMENTS EVIDENCED BY THE CERTIFICATES TO PARTICIPANTS OR BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN SUCH CERTIFICATES AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE PARTICIPANTS AND THE BENEFICIAL OWNERS IS BASED ON INFORMATION PROVIDED BY DTC. ACCORDINGLY, THE DISTRICT TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

**APPENDIX G**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

**APPENDIX H**

**SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY**