

MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT

**REGULAR BOARD MEETING**

SEPTEMBER 22, 2020

DOCUMENTS APPROVED WITH RESOLUTION NO. 2020-21/09

DRAFT FORMS OF LEGAL DOCUMENTS NECESSARY FOR THE 2020 REFUNDING  
OF CERTIFICATES OF PARTICIPATION (COPs)

1. Ground Lease
2. Lease Agreement
3. Trust Agreement
4. Escrow Agreement
5. Certificate Purchase Agreement
6. Continuing Disclosure Certificate
7. 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, 2020**

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## **GROUND LEASE**

**THIS GROUND LEASE** (this “Ground Lease”), dated as of [\_\_\_\_\_] 1, 2020, 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 refund, on a crossover basis, the Marysville Joint Unified School District 2012 Certificates of Participation (Refunding and Capital Projects) (the “Prior Certificates”) on June 1, 2022 (the “Crossover Date”), the District has leased certain real property and the improvements thereto (the “Property”) to the Corporation pursuant to this Ground Lease, dated as of the date hereof (the “Ground Lease”), and the District has subleased the Property back from the Corporation pursuant to the 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 refund, on a crossover basis, the Prior Certificates on the Crossover Date are being provided through the sale and delivery of Marysville Joint Unified School District Refunding Certificates of Participation, Series 2020 (Federally Taxable – Crossover Refunding) (the “Refunding Certificates”), evidencing direct, fractional undivided interests of the owners thereof in the base rental payments (the “Base Rental Payments”) to be made under the Lease Agreement; and

**WHEREAS**, the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates; provided, however, that in the event the available proceeds of the Refunding 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 refunding, on a crossover basis, the Prior Certificates on the Crossover Date.

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 Refunding 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 Refunding 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 parcels are commonly referred to as the [\_\_\_\_], located at [\_\_\_\_], [\_\_\_\_], California [\_\_\_\_\_].

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

STATE OF CALIFORNIA            )  
  ) ss  
COUNTY OF YUBA                )

On \_\_\_\_\_, 2020, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

[Seal]

\_\_\_\_\_

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

STATE OF CALIFORNIA            )  
  ) ss  
COUNTY OF YUBA                )

On \_\_\_\_\_, 2020, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

[Seal]

\_\_\_\_\_

# 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, 2020**

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## LEASE AGREEMENT

**THIS LEASE AGREEMENT** (this “Lease Agreement”), dated as of [\_\_\_\_\_] 1, 2020, 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 refund, on a crossover basis, the Marysville Joint Unified School District 2012 Certificates of Participation (Refunding and Capital Projects) (the “Prior Certificates”) on June 1, 2022 (the “Crossover Date”), the District has leased certain real property and the improvements thereto (the “Property”) to the Corporation pursuant to the 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, dated as of the date hereof (the “Lease Agreement”); and

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

**WHEREAS**, the funds necessary to refund, on a crossover basis, the Prior Certificates on the Crossover Date are being provided through the sale and delivery of Marysville Joint Unified School District Refunding Certificates of Participation, Series 2020 (Federally Taxable – Crossover Refunding) (the “Refunding Certificates”), evidencing direct, fractional undivided interests of the owners thereof in the base rental payments (the “Base Rental Payments”) to be made under this Lease Agreement; and

**WHEREAS**, the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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. Notwithstanding anything to the contrary contained in this Lease Agreement, the Base Rental Payments to and including the Crossover Date shall be payable from amounts deposited in the escrow fund established pursuant to the Escrow Agreement.

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 Refunding 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; provided, however, that the Base Rental Payments due prior to and on the Crossover Date shall be deposited with the Trustee by the Escrow Bank on each Interest Payment Date in accordance with the Escrow Agreement. 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; provided, however, that such annual appropriation covenant shall not apply to the Base Rental Payments due prior to and on the Crossover Date. 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 or held in an escrow fund established under the Escrow 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 Refunding 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 Refunding 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 Refunding 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 rent 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 Refunding 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. The District agrees that 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 and the Insurer agree 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; and
- (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.

**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 assign 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 Refunding 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 Refunding 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 Refunding Certificates, by reason of the execution or authorization of any document or certification in connection with the Refunding 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 Refunding 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, the Insurer and the Trustee setting forth its findings;

(c) 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;

(d) 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

(e) the District shall have certified to the Corporation and the Insurer 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.

**ARTICLE X**

**MISCELLANEOUS**

**Section 10.01. 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 No. [_____] and No. [_____] Telephone: [_____] Telecopier: [_____]

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 Deputy General Counsel-Public Finance of the Insurer and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

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 personally served or delivered, upon delivery, (b) if given by electronic communication, whether by telex, telegram, electronic mail or telecopier, upon the sender's receipt of an appropriate answerback or other written acknowledgment, (c) 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 overnight courier, with courier charges prepaid, 24 hours after delivery to said overnight courier, or (e) if given by any other means, upon delivery at the address specified in this Section.

**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 Refunding 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 Refunding 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 Refunding 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 provide for the substitution or release of a portion of the Property in accordance with the provisions of Section 9.03 hereof; or

(iv) 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 Refunding 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 defaults and remedies; provided, however, that the Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding Certificates for purposes of all defaults and remedies, and shall not have the right to direct 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. Electronic Signature.** Each of the parties hereto agrees that the transaction consisting of this Lease Agreement may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent (i) that, by signing this Lease Agreement using an electronic signature, it is signing, adopting and accepting this Lease Agreement, and (ii) that signing this Lease Agreement using an electronic signature is the legal equivalent of having placed the undersigned officer's handwritten signature on this Lease Agreement on paper. Each party acknowledges that it is being provided with an electronic or paper copy Lease of this Lease Agreement in a usable format.]

**Section 10.10. 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

**“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, 2020, 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, 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 Refunding Certificates registered in the name of the nominee of DTC, or any successor securities depository for the Refunding 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.

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

**“Certificate Purchase Agreement”** means the Refunding Certificate Purchase Agreement, dated [\_\_\_\_\_], 2020, by and between the Purchaser and the District relating to the Refunding 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, 2021].

**“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 Refunding Certificates, including, all printing and document preparation expenses in connection with the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Refunding Certificates and the preliminary official statement and final official statement pertaining to the Refunding 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 Refunding Certificates, any computer and other expenses incurred in connection with the Refunding 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 Refunding Certificates or the redemption of the Prior 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.

**“Crossover Date”** means [June 1, 2022].

**“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 [\_\_\_\_\_], 2020.

**“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.

**“Escrow Agreement”** means the Escrow Agreement, dated as of [\_\_\_\_\_] 1, 2020, by and between the Escrow Bank and the District, relating to the Refunding Certificates and the Prior Certificates.

**“Escrow Bank”** means The Bank of New York Mellon Trust Company, N.A., as prior trustee and escrow bank under the Escrow Agreement, and any successor thereto.

**“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, 2020, 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.

**“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 Refunding Certificates when due, or any insurance policy substituted for said Municipal Bond Insurance Policy.

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

**“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.

**“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, 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) plus [\_\_]% , and (ii) the then applicable highest rate of interest evidenced by the Refunding 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 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. If the interest provisions of this paragraph shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created herein, then,

to the extent permissible by law, all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding hereunder to the extent that interest otherwise due hereunder for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the Insurer or Reserve Insurer, as applicable, with the same force and effect as if the District had specifically designated such extra sums to be so applied and the Insurer or Reserve Insurer, as applicable, had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created herein exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

**“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 [December 1, 2020].

**“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, 2020, 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 Refunding 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 Refunding 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 Refunding Certificates with a stated Principal Payment Date of June 1, 20[\_\_\_], June 1, 20[\_\_\_] and each June 1 thereafter continuing through and including June 1, 20[\_\_\_], and for the Refunding Certificates with a stated Principal Payment Date of 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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.

**"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 Refunding Certificate is scheduled, as of the date of execution and delivery of such Refunding Certificate, to become due and payable.

**"Prior Certificates"** means [all of the outstanding] Marysville Joint Unified School District 2012 Certificates of Participation (Refunding and Capital Projects).

**"Prior Trust Agreement"** means the Trust Agreement, dated July 1, 2012, by and among the District, the Marysville Joint Unified School District Financing Corporation and The Bank of New York Mellon Trust Company, N.A., relating to the Prior Certificates.

**"Prior Trustee"** means The Bank of New York Mellon Trust Company, N.A., as trustee, under the Prior Trust Agreement, and any successor thereto.

**"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 Refunding Certificates pursuant to the Refunding Certificate Purchase Agreement.

**“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.

**“Refunding Certificates”** means the Marysville Joint Unified School District Refunding Certificates of Participation, Series 2020 (Federally Taxable – Crossover Refunding), executed and delivered by the Trustee pursuant to the Trust Agreement.

**“Registration Books”** means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Refunding 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 stock insurance company,] 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 proceeds of the issue,” within the meaning of Section 148 of the Code, (b) the maximum amount of principal and interest evidenced by the Refunding Certificates coming due in any Certificate Year and (c) 125% of the average amount of principal and interest evidenced by the Refunding 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[\_\_\_].

**“Trust Agreement”** means the Trust Agreement, dated as of [\_\_\_\_\_] 1, 2020, 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 thereunder 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 parcels are commonly referred to as the [\_\_\_\_], located at [\_\_\_\_], [\_\_\_\_], California [\_\_\_\_].

**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, 2020**

**Relating To  
Marysville Joint Unified School District  
Refunding Certificates of Participation, Series 2020  
(Federally Taxable – Crossover Refunding)**

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## **TRUST AGREEMENT**

**THIS TRUST AGREEMENT** (this “Trust Agreement”), dated as of [\_\_\_\_\_] 1, 2020, is by and among THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. a national banking association organized and existing under 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”).

### **WITNESSETH:**

**WHEREAS**, in order refund, on a crossover basis, the Marysville Joint Unified School District 2012 Certificates of Participation (Refunding and Capital Projects) (the “Prior Certificates”) on June 1, 2022 (the “Crossover Date”), the Marysville Joint Unified School District (the “District”) has leased certain real property and the improvements thereto (the “Property”) to the Corporation pursuant to the Ground Lease, dated as of the date hereof (the “Ground Lease”), and the District has subleased the Property back from the Corporation pursuant to the 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 refund, on a crossover basis, the Prior Certificates on the Crossover Date are being provided through the sale and delivery of Marysville Joint Unified School District Refunding Certificates of Participation, Series 2020 (Federally Taxable – Crossover Refunding) (the “Refunding Certificates”), evidencing direct, fractional undivided interests of the owners thereof in the base rental payments (the “Base Rental Payments”) to be made under the Lease Agreement; and

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

**WHEREAS**, in order to provide for the execution and delivery of the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates and, upon the Written Request of the District, shall execute and deliver the Refunding 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 Refunding Certificates shall be numbered, with or without prefixes, as directed by the Trustee. The Trustee is hereby authorized to deliver the Refunding Certificates to the Purchaser pursuant to the Refunding 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 Refunding Certificates shall be designated “Marysville Joint Unified School District Refunding Certificates of Participation, Series 2020 (Federally Taxable – Crossover Refunding),” 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 Refunding 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 Refunding Certificate shall evidence interest from such Interest Payment Date, or unless such date of execution shall be on or prior to [\_\_\_\_\_] 20[\_\_\_], in which case such Refunding Certificate shall represent interest from the Delivery Date. Notwithstanding the foregoing, if, as shown by the records of the Trustee, interest evidenced by the Refunding 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 Refunding Certificates shall become due and payable, subject to prior prepayment, on June 1 of the years, in the amounts, and interest evidenced by the Refunding 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:

Principal Payment Date (June 1)	Principal Component	Interest Rate
_____	\$ _____	% _____

Except as otherwise provided in the Letter of Representations, payments of interest evidenced by the Refunding 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 Refunding 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 Refunding Certificates at the Principal Office of the Trustee.

(b) *Computation of Interest.* The interest evidenced by the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates, which books shall be available for inspection and copying by the District and the Insurer at reasonable hours and under reasonable conditions with reasonable notice; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Refunding Certificates on such books as hereinabove provided.

(b) The Trustee may treat the Owner of any Certificate as the absolute owner of such Refunding Certificate for all purposes, whether or not the principal or interest evidenced by such Refunding 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 Refunding Certificate shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability evidenced by such Refunding 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 Refunding 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 Refunding Certificates shall initially be executed and delivered as Book-Entry Certificates and the Refunding 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 Refunding 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 Refunding Certificate, for the purpose of registering transfers with respect to such Refunding 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 Refunding Certificate, shall make an appropriate notation on the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificate and all notices with respect to such Refunding 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 Refunding Certificates.

**Section 2.09. Temporary Certificates.** The Refunding 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 Refunding Certificate so mutilated, but only upon surrender to the Trustee of the Refunding 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 Refunding 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 Refunding 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 Refunding Certificates and deliver the Refunding Certificates to the Purchaser upon receipt of a Written Request of the District and upon receipt of the proceeds of sale thereof.

**Section 3.02. Proceeds of Certificates.** The proceeds of the Refunding 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 Refunding Certificates so received by the Trustee, \$[\_\_\_\_\_] (which constitutes the purchase price of the Refunding 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 or transferred by the Trustee as follows:

(a) the Trustee shall deposit in the Costs of Issuance Fund established pursuant to Section 3.03 hereof the amount of \$[\_\_\_\_\_] ; and

(b) the Trustee shall transfer the amount of \$[\_\_\_\_\_] to the Escrow Bank to be held under the Escrow Agreement (i) to pay, when due, the portion of the Base Rental Payments designated as the interest component evidenced by the Refunding Certificates prior to and on the Crossover Date, and (ii) to redeem the Prior Certificates on the Crossover Date, all in accordance with the Escrow Agreement.

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.

**ARTICLE IV**

**PREPAYMENT OF CERTIFICATES**

**Section 4.01. Terms of Prepayment.** (a) *Extraordinary Prepayment.* The Refunding 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 Refunding Certificates to be prepaid, plus unpaid accrued interest, if any, evidenced thereby to the date fixed for prepayment, without premium.

(b) *Optional Prepayment.* The Refunding 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 Refunding Certificates to be prepaid, plus unpaid accrued interest evidenced thereby to the date fixed for prepayment, without premium.

(c) *Mandatory Sinking Account Prepayment.* (i) 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 Refunding 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> \$
------------------------------------	---

\*

---

\*Stated Principal Payment Date

If some but not all of the principal evidenced by the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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.

(ii) 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 Refunding Certificates to be so prepaid and the dates therefor shall be as follows:

Prepayment Date (June 1)	Principal To Be Prepaid
*	\$

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\*Stated Principal Payment Date

If some but not all of the principal evidenced by the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 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 Refunding Certificate numbers and the stated Principal Payment Date or Principal Payment Dates of the Refunding Certificates to be prepaid (except in the event of prepayment of all of the Refunding Certificates in whole), and shall require that such Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates to be prepaid are held by the Trustee, then on the prepayment date designated in such notice, the Refunding 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 Refunding Certificates so called for prepayment shall cease to accrue, such Refunding Certificates shall cease to be entitled to any benefit or security hereunder and the Owners of such Refunding 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 Refunding Certificates to be prepaid, pay such Refunding 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, 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. 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; provided, however, that the Base Rental Payments due prior to and on the Crossover Date shall be deposited with the Trustee by the Escrow Bank on each Interest Payment Date in accordance with the Escrow Agreement. All Base Rental Payments paid by the District (or caused to be paid by the District pursuant to the Escrow Agreement) 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 Refunding 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 Refunding Certificates are no longer Outstanding. 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.* 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. On each Interest Payment Date, the Trustee shall withdraw from the Interest Fund, for payment to the Owners, the interest evidenced by the Refunding Certificates coming due on such Interest Payment Date.

(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 Refunding Certificates due and payable on such Principal Payment Date or upon earlier prepayment from Mandatory Sinking Account Payments.

(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 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 Refunding 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 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 Refunding 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 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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. 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 Refunding 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 Refunding 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 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 Refunding 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. Continuing Disclosure.** Each of the District and the Trustee 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 or the Trustee 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 Refunding Certificates may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

**Section 6.08. 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates due and payable;

(c) to the payment of all amounts then due for principal evidenced by the Refunding 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 Refunding 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 Refunding Certificates may be prosecuted and enforced by the Trustee without the possession of any of the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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.

(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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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) 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 Refunding 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 Refunding 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 Refunding Certificate for such purpose at the Principal Office of the Trustee a suitable notation as to such action shall be made on such Refunding 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 Refunding 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 Refunding 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 Refunding Certificate and such Refunding 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 Refunding 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 Refunding 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 Refunding Certificate, and to pay to the Owner of such Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificate, and (iii) in the event such Refunding 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 Refunding Certificate that the deposit required by clause (ii) above has been made with the Trustee and that such Refunding 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 Refunding 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 in 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 Refunding 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 Refunding Certificate and all agreements, covenants and other obligations of the District and the Corporation hereunder as to such Refunding 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 Refunding Certificates which remain unclaimed for two years after the date when such interest or principal evidenced by such Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates (at a price equal to 100% of the principal evidenced by the Refunding 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 Refunding Certificates to be prepaid) at the same time that the Owners of the Refunding 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 Refunding 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 Refunding 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 Refunding Certificates, including, without limitation, any amounts due to the Owners in respect of securities law violations arising from the offer and sale of the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates and the amount required to pay principal evidenced by the Refunding 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 Refunding Certificates are to be made with respect to the Refunding 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



Refunding 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 Refunding 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 Refunding Certificates pursuant to the Insurance Policy, the Insurer, as the Owner of the Refunding 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 (c) 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 Refunding 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 Refunding Certificate.

(f) The Trustee shall, at the time any report, notice or correspondence is delivered to Owners of the Refunding 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 Refunding 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 Refunding 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 Refunding 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 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 No. [\_\_\_\_\_] and Policy No.
[\_\_\_\_\_]
Telephone: [\_\_\_\_\_]
Telecopier: [\_\_\_\_\_]

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 Deputy General Counsel-Public Finance of the Insurer and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

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 personally served or delivered, upon delivery, (b) if given by electronic communication, whether by telex, telegram, electronic mail or telecopier, upon the sender's receipt of an appropriate answerback or other written acknowledgment, (c) 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, (d) if given by overnight courier, with courier charges prepaid, 24 hours after delivery to said overnight courier, or (e) if given by any other means, upon delivery at the address specified in this Section.

Section 12.12. Governing Law. This Trust Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

Section 12.13. 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 (i) that, by signing this Trust Agreement using an electronic signature, it is signing, adopting and accepting this Trust Agreement, and (ii) 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 12.14. Execution in Counterparts. This Trust 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 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

**“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, 2020, 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, 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 Refunding Certificates registered in the name of the nominee of DTC, or any successor securities depository for the Refunding 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.

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

**“Certificate Purchase Agreement”** means the Refunding Certificate Purchase Agreement, dated [\_\_\_\_\_], 2020, by and between the Purchaser and the District relating to the Refunding 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, 2021].

**“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 Refunding Certificates, including, all printing and document preparation expenses in connection with the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Refunding Certificates and the preliminary official statement and final official statement pertaining to the Refunding 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 Refunding Certificates, any computer and other expenses incurred in connection with the Refunding 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 Refunding Certificates or the redemption of the Prior 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.

**“Crossover Date”** means [June 1, 2022].

**“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 [\_\_\_\_\_], 2020.

**“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.

**“Escrow Agreement”** means the Escrow Agreement, dated as of [\_\_\_\_\_] 1, 2020, by and between the Escrow Bank and the District, relating to the Refunding Certificates and the Prior Certificates.

**“Escrow Bank”** means The Bank of New York Mellon Trust Company, N.A., as prior trustee and escrow bank under the Escrow Agreement, and any successor thereto.

**“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, 2020, 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.

**“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 Refunding Certificates when due, or any insurance policy substituted for said Municipal Bond Insurance Policy.

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

**“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.

**“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, 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) plus [\_\_]% , and (ii) the then applicable highest rate of interest evidenced by the Refunding 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 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. If the interest provisions of this paragraph shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created herein, then,

to the extent permissible by law, all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding hereunder to the extent that interest otherwise due hereunder for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the Insurer or Reserve Insurer, as applicable, with the same force and effect as if the District had specifically designated such extra sums to be so applied and the Insurer or Reserve Insurer, as applicable, had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created herein exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

**“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 [December 1, 2020].

**“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, 2020, 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 Refunding 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 Refunding 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 Refunding Certificates with a stated Principal Payment Date of June 1, 20[\_\_\_], June 1, 20[\_\_\_] and each June 1 thereafter continuing through and including June 1, 20[\_\_\_], and for the Refunding Certificates with a stated Principal Payment Date of 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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.

**"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 Refunding Certificate is scheduled, as of the date of execution and delivery of such Refunding Certificate, to become due and payable.

**"Prior Certificates"** means [all of the outstanding] Marysville Joint Unified School District 2012 Certificates of Participation (Refunding and Capital Projects).

**"Prior Trust Agreement"** means the Trust Agreement, dated July 1, 2012, by and among the District, the Marysville Joint Unified School District Financing Corporation and The Bank of New York Mellon Trust Company, N.A., relating to the Prior Certificates.

**"Prior Trustee"** means The Bank of New York Mellon Trust Company, N.A., as trustee, under the Prior Trust Agreement, and any successor thereto.

**"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 Refunding Certificates pursuant to the Refunding Certificate Purchase Agreement.

**“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.

**“Refunding Certificates”** means the Marysville Joint Unified School District Refunding Certificates of Participation, Series 2020 (Federally Taxable – Crossover Refunding), executed and delivered by the Trustee pursuant to the Trust Agreement.

**“Registration Books”** means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Refunding 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 stock insurance company,] 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 proceeds of the issue,” within the meaning of Section 148 of the Code, (b) the maximum amount of principal and interest evidenced by the Refunding Certificates coming due in any Certificate Year and (c) 125% of the average amount of principal and interest evidenced by the Refunding 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[\_\_\_].

**“Trust Agreement”** means the Trust Agreement, dated as of [\_\_\_\_\_] 1, 2020, 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 thereunder 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  
REFUNDING CERTIFICATE OF PARTICIPATION, SERIES 2020  
(FEDERALLY TAXABLE – CROSSOVER REFUNDING)**

<b>PAYMENT DATE</b>	<b>INTEREST RATE</b>	<b>DATED DATE</b>	<b>CUSIP NO.</b>
June 1, 20__	%	_____, 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, 2020 (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, 2020 (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 Refunding Certificates of Participation, Series 2020 (Federally Taxable – Crossover Refunding) (the “Certificates”), evidencing principal in the aggregate amount of \$[\_\_\_\_\_], executed pursuant to the terms of the Trust Agreement. The Refunding Certificates evidence direct, fractional undivided interests in Base Rental Payments payable under the Lease Agreement. The Refunding Certificates are being executed and delivered to refund, on a crossover basis, the Prior Certificates on [June 1, 2022] (the “Crossover Date”).

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 Refunding 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 Refunding Certificates with respect thereto and for the other agreements, conditions, covenants and terms upon which the Refunding

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 December 1 and June 1 of each year, commencing on [\_\_\_\_\_ 1], 20[\_\_\_] (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], 20[\_\_\_], 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates at the Principal Office of the Trustee. All such amounts are payable in lawful money of the United States of America.

The Refunding 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 Refunding Certificates evidence and represent a fractional undivided interest in Base Rental Payments and enjoy the benefits of a security interest in the moneys (i) held in the funds and accounts established pursuant to the Trust Agreement and (ii) held in an escrow fund established under the Escrow Agreement to and including the Crossover Date, subject to the provisions of the Trust Agreement and the Escrow Agreement permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein.

The Refunding 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 Refunding Certificates so that such Refunding 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: \_\_\_\_\_, 2020

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

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

## STATEMENT OF INSURANCE

[To be updated]

**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.



# ESCROW AGREEMENT

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**ESCROW AGREEMENT**

**by and between**

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**

**and**

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.  
as ESCROW BANK**

**Dated as of [\_\_\_\_\_] 1, 2020**

**Relating to**

**Marysville Joint Unified School District  
2012 Certificates of Participation  
(Refunding and Capital Projects)**

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## **ESCROW AGREEMENT**

**THIS ESCROW AGREEMENT** (this “Escrow Agreement”), dated as of [\_\_\_\_\_] 1, 2020, 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”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as Prior Trustee (as defined herein) and as escrow bank (the “Escrow Bank”).

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

**WHEREAS**, there are currently outstanding Marysville Joint Unified School District 2012 Certificates of Participation (Refunding and Capital Projects) (the “Prior Certificates”), evidencing principal in the aggregate initial amount of \$18,376,098.50; and

**WHEREAS**, the Prior Certificates were executed and delivered under the Trust Agreement, dated July 1, 2012 (the “Prior Trust Agreement”), by and among the District, the Marysville Joint Unified School District Financing Corporation (the “Corporation”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Prior Trustee”); and

**WHEREAS**, the Escrow Bank is the Prior Trustee under the Prior Trust Agreement; and

**WHEREAS**, the Prior Certificates evidence and represent proportionate interests of the owners thereof in rental payments to be made by the District pursuant to the Facilities Lease, dated as of July 1, 2012 (the “Prior Lease”), by and between the Corporation and the District; and

**WHEREAS**, the District and the Corporation have determined that it would be in the best interests of the District and the Corporation to provide the funds necessary to prepay the Prior Lease and refund the Prior Certificates, on a crossover basis, through the sale and delivery of Marysville Joint Unified School District Refunding Certificates of Participation, Series 2020 (Federally Taxable – Crossover Refunding) (the “Refunding Certificates”), evidencing direct, fractional undivided interests of the owners thereof in the base rental payments (the “Base Rental Payments”) to be made under the Lease Agreement, dated as of [\_\_\_\_\_] 1, 2020, by and between the District and the Corporation; and

**WHEREAS**, the Refunding Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of [\_\_\_\_\_] 1, 2020 (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**, the District has determined to apply a portion of the proceeds of the Refunding Certificates for the purpose of providing the funds necessary (a) to pay, when due, the portion of the Base Rental Payments designated as the interest component evidenced by the Refunding Certificates to June 1, 2022 (the “Redemption Date”) and (b) to prepay the Prior Certificates on the Redemption Date at a redemption price (the “Redemption Price”) equal to the accreted value of the rental payments due under the Prior Lease represented thereby as of the Redemption Date, without premium; and

**WHEREAS**, the Prior Certificates are subject to redemption on the Redemption Date at the Redemption Price, and the District has determined to provide for redemption of the Prior Certificates outstanding on the Redemption Date;

**NOW THEREFORE**, in consideration of the mutual covenants and agreements herein contained, the District and the Escrow Bank agree as follows:

**Section 1. Definitions.** Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Prior Trust Agreement or the Trust Agreement, as applicable.

**Section 2. The Escrow Fund.** (a) There is hereby established an escrow fund (the “Escrow Fund”) to be held in trust as an irrevocably pledged escrow by the Escrow Bank, which the Escrow Bank shall keep separate and apart from all other funds of the District and the Escrow Bank and to be applied solely as provided in this Escrow Agreement.

Pending application as provided in this Escrow Agreement, amounts on deposit in the Escrow Fund are (i) for the benefit of the Owners of the Refunding Certificates, to pay, when due, the portion of the Base Rental Payments designated as the interest component evidenced by the Refunding Certificates to the Redemption Date, and (ii) on and after the Redemption Date (provided there are sufficient funds on such date to pay the portion of the Base Rental Payments designated as the interest component evidenced by the Refunding Certificates due and to pay the Redemption Price of the Prior Certificates), for the benefit of the Owners of the Prior Certificates, to pay on the Redemption Date the Redemption Price of the Prior Certificates, which amounts shall be held in trust by the Escrow Bank.

(b) Upon the execution and delivery of the Refunding Certificates, there shall be deposited in the Escrow Fund \$[\_\_\_\_\_] received from the proceeds of the sale of the Refunding Certificates.

[The Escrow Bank, as Prior Trustee, has informed the District that, as of the date hereof, there is no less than \$[\_\_\_\_\_] on deposit in the \_\_\_\_\_ Fund established under the Prior Trust Agreement relating to the Prior Certificates. On the date hereof, the Prior Trustee is hereby instructed to transfer such moneys to the Escrow Bank for deposit into the Escrow Fund.]

(c) Upon the deposit of moneys pursuant to Section 2(b), the moneys on deposit in the Escrow Fund will be, as verified by Causey Demgen & Moore P.C. and evidenced in the escrow verification report, dated [\_\_\_\_], 2020 (the “Escrow Verification Report”), attached hereto as Exhibit C, at least equal to an amount sufficient to purchase the aggregate principal amount of [direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody’s] (or any combination of the foregoing) (collectively, “Defeasance Securities”) set forth in Exhibit A hereto (the “Exhibit A Securities”), which principal, together with all interest due or to become due on such Exhibit A Securities, and any

uninvested cash held by the Escrow Bank in the Escrow Fund, will be sufficient to make the payments required by Section 4 hereof.

**Section 3. Use and Investment of Moneys.** (a) The Escrow Bank hereby acknowledges deposit of the moneys described in Section 2(b) and agrees to invest \$[\_\_\_\_\_] of such moneys in the Exhibit A Securities upon receipt of certification by a nationally recognized firm of independent certified public accountants that the Exhibit A Securities will mature in such principal amounts and earn interest in such amounts and, in each case, at such times, so that sufficient moneys will be available from maturing principal and interest on the Exhibit A Securities, together with any uninvested moneys then held by the Escrow Bank in the Escrow Fund, to make all payments required by Section 4 hereof. Except as provided in Section 3(b) or Section 3(c), the balance of the moneys described in Section 2 in the amount of \$[\_\_\_\_\_] shall be held uninvested in the Escrow Fund.

(b) Upon the written request of the District, but subject to the conditions and limitations herein set forth, the Escrow Bank shall purchase substitute Defeasance Securities for the Defeasance Securities then held in the Escrow Fund with the proceeds derived from the sale, transfer, redemption or other disposition of Defeasance Securities then on deposit in the Escrow Fund and any uninvested money then held by the Escrow Bank hereunder in accordance with the provisions of this Section. Such sale, transfer, redemption or other disposition of Defeasance Securities then on deposit in the Escrow Fund and substitution of other Defeasance Securities shall be effected by the Escrow Bank upon the written request of the District but only by a simultaneous transaction and only upon receipt of (i) certification by a nationally recognized firm of independent certified public accountants addressed to the District that the Defeasance Securities to be substituted, together with the Defeasance Securities which will continue to be held in the Escrow Fund, will mature in such principal amounts and earn interest in such amounts and, in each case, at such times so that sufficient moneys will be available from maturing principal and interest on such Defeasance Securities held in the Escrow Fund, together with any uninvested moneys, to make all payments required by Section 4 hereof, which have not previously been made, and (ii) receipt by the Escrow Bank of an opinion of counsel of recognized standing in the field of law relating to municipal bonds to the effect that the sale, transfer, redemption or other disposition and substitution of Defeasance Securities will not adversely affect the exclusion of interest evidenced by any Prior Certificates from gross income for purposes of federal income taxation.

(c) Upon the written request of the District, but subject to the conditions and limitations herein set forth, the Escrow Bank shall apply any moneys received from the maturing principal of or interest or other investment income on any Defeasance Securities held in the Escrow Fund, or the proceeds from any sale, transfer, redemption or other disposition of Defeasance Securities pursuant to Section 3(b) not required for the purposes of said Section (i) to the extent such moneys will not be required at any time for the purpose of making a payment required by Section 4 hereof, as certified by a nationally recognized firm of independent certified public accountants delivered to the Escrow Bank, such moneys shall be transferred to the Trustee for deposit in the Base Rental Payment Fund established under the Trust Agreement upon the written request of the District as received by the Escrow Bank, free and clear of any trust, lien, pledge or assignment securing the Prior Certificates or otherwise existing hereunder, and (ii) to the extent such moneys will be required for such purpose at a later date, shall, to the extent practicable, be invested or reinvested in Defeasance Securities maturing at times and in amounts sufficient, as certified by a nationally

recognized firm of independent certified public accountants delivered to the Escrow Bank, to make such payment required by Section 4 hereof.

(d) All Defeasance Securities purchased pursuant to this Escrow Agreement shall be deposited in and held for the credit of the Escrow Fund. Except as provided in this Section 3, no moneys or Defeasance Securities deposited with the Escrow Bank pursuant to this Escrow Agreement nor principal of, or interest payments or other investment income on, any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the Prior Certificates as provided by Section 4 hereof.

(e) The Owners of the Refunding Certificates shall have a first and exclusive lien on the moneys and Defeasance Securities in the Escrow Fund until such moneys and Defeasance Securities are used and applied to pay the portion of the Base Rental Payments designated as the interest component evidenced by the Refunding Certificates to and including Redemption Date, and on and after the Redemption (provided the aforementioned payments are made), the Owners of the Prior Certificates shall have a first and exclusive lien on the moneys and Defeasance Securities in the Escrow Fund until such moneys and Defeasance Securities are used to pay the Redemption Price of the Prior Certificates as provided in this Escrow Agreement.

(f) The Escrow Bank shall not be held liable for investment losses resulting from compliance with the provisions of this Escrow Agreement.

(g) If the Escrow Bank learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of securities that is to be submitted pursuant to this Escrow Agreement, the Escrow Bank shall promptly request alternative written investment instructions from the District with respect to escrowed funds which were to be invested in securities. The Escrow Bank shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Bank shall hold funds uninvested and without liability for interest until receipt of further written instructions from the District. In the absence of investment instructions from the District, the Escrow Bank shall not be responsible for the investment of such funds or interest thereon. The Escrow Bank may conclusively rely upon the District's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

**Section 4. Payment of the Refunding Certificates and the Prior Certificates.** From the maturing principal of the Defeasance Securities held in the Escrow Fund and the investment income and other earnings thereon and any uninvested money then held in the Escrow Fund, the Escrow Bank shall apply such amounts as follows:

(a) On each Interest Payment Date with respect to the Refunding Certificates to and including Redemption Date, the Escrow Bank shall transfer, to the Trustee for payment by the Trustee, the portion of the Base Rental Payments designated as the interest component evidenced by the Refunding Certificates then due and payable in accordance with the terms of the Trust Agreement and the Escrow Verification Report; and

(b) On the Redemption Date (provided the payments provided for in (a) have been made), the Escrow Bank shall pay the Redemption Price of the Prior Certificates in accordance with the terms of the Prior Trust Agreement and the Escrow Verification Report (or the then-applicable escrow verification of the national recognized firm of independent certified public accountants).

To the extent that the amount on deposit in the Escrow Fund on the Redemption Date is in excess of the amount necessary to make the required payments with respect to the Prior Certificates, as shown in the Escrow Verification Report (or the then-applicable escrow verification of the nationally recognized firm of independent certified public accountants), such excess shall be transferred to the Trustee for deposit in the Base Rental Payment Fund established under the Trust Agreement.

**Section 5. Irrevocable Instructions to Mail Notices.** The District hereby irrevocably designates the Prior Certificates for redemption on the Redemption Date as indicated in Section 4 hereof and hereby irrevocably instructs the Escrow Bank to give, in accordance with Section 4.4 of the Prior Trust Agreement, mailed notice of redemption of the Prior Certificates, as attached hereto as Exhibit B.

**Section 6. Performance of Duties.** The Escrow Bank agrees to perform the duties set forth herein and agrees that the irrevocable instructions to the Escrow Bank herein provided are in a form satisfactory to it.

**Section 7. Escrow Bank's Authority to Make Investments.** The Escrow Bank shall have no power or duty to invest any funds held under this Escrow Agreement except as provided in Section 3 hereof. The Escrow Bank shall have no power or duty to transfer or otherwise dispose of the moneys held hereunder except as provided in this Escrow Agreement.

**Section 8. Indemnity.** To the extent permitted by law, the District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Bank and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees, expenses and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Bank at any time (whether or not also indemnified against the same by the District or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of any securities to be purchased pursuant thereto, the retention of such securities or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Escrow Agreement; provided, however, that the District shall not be required to indemnify the Escrow Bank against the Escrow Bank's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Bank's respective successors, assigns, agents and employees or the material breach by the Escrow Bank of the terms of this Escrow Agreement. In no event shall the District or the Escrow Bank be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in

this Section. The indemnities contained in this Section shall survive the termination of this Escrow Agreement and the resignation or removal of the Escrow Bank.

**Section 9. Responsibilities of Escrow Bank.** (a) The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or any securities deposited therein, the purchase of the securities to be purchased pursuant hereto, the retention of such securities or the proceeds thereof, the sufficiency of the securities or any uninvested moneys held hereunder to accomplish the redemption of the Prior Certificates, or any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in the “Whereas” clauses herein shall be taken as the statements of the District, and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representation as to the sufficiency of the securities to be purchased pursuant hereto and any uninvested moneys to accomplish the redemption of the Prior Certificates pursuant to the Prior Trust Agreement or to the validity of this Escrow Agreement as to the District and, except as otherwise provided herein, the Escrow Bank shall incur no liability in respect thereof. The Escrow Bank shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Escrow Agreement. The Escrow Bank may consult with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel of recognized standing in the field of law relating to municipal bonds) may be deemed to be conclusively established by a written certification of the District. Whenever the Escrow Bank shall deem it necessary or desirable that a matter specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel of recognized standing in the field of law relating to municipal bonds be proved or established prior to taking, suffering, or omitting any such action, such matter may be established only by a certificate signed by a nationally recognized firm of certified public accountants or such opinion of counsel of recognized standing in the field of law relating to municipal bonds.

(b) 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, the District specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Bank will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Escrow Bank hereunder.

(c) The Escrow Bank shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Escrow 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 Escrow Bank, or another method or system specified by the Escrow Bank as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Escrow Bank an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, 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 Escrow Bank Instructions using Electronic Means and the Escrow Bank in its discretion elects to act upon such Instructions, the Escrow Bank’s understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Escrow Bank cannot determine the identity of the actual sender of such Instructions and that the Escrow Bank shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Bank have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Bank and that the District and all Authorized Officers 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 Escrow Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank’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 Escrow Bank, including without limitation the risk of the Escrow Bank 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 Escrow Bank 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 Escrow Bank immediately upon learning of any compromise or unauthorized use of the security procedures.

(d) No provision of this Escrow Agreement shall require the Escrow Bank to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

(e) The Escrow Bank may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

(f) The Escrow Bank may at any time resign by giving 30 days written notice of resignation to the District. Upon receiving such notice of resignation, the District shall promptly appoint a successor and, upon the acceptance by the successor of such appointment, release the resigning Escrow Bank from its obligations hereunder by written instrument, a copy of which instrument shall be delivered to the resigning Escrow Bank and the successor. If no successor shall have been so appointed and have accepted appointment within 30 days after the giving of such

notice of resignation, the resigning Escrow Bank may petition any court of competent jurisdiction for the appointment of a successor.

**Section 10. Amendments.** The District and the Escrow Bank may (but only with the consent of the Owners of all of the Prior Certificates and the Insurer) amend this Escrow Agreement or enter into agreements supplemental to this Escrow Agreement.

**Section 11. Term.** This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the date upon which the Prior Certificates have been paid in accordance with this Escrow Agreement.

**Section 12. Compensation.** The District shall from time to time pay or cause to be paid to the Escrow Bank the agreed upon compensation for its services to be rendered hereunder, and reimburse the Escrow Bank for all of its reasonable advances in the exercise and performance of its duties hereunder; provided, however, that under no circumstances shall the Escrow Bank be entitled to any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Bank under this Escrow Agreement or otherwise.

**Section 13. Severability.** If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the District or the Escrow Bank to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

**Section 14. Electronic Signature.** Each of the parties hereto agrees that the transaction consisting of this Escrow Agreement may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent (i) that, by signing this Escrow Agreement using an electronic signature, it is signing, adopting and accepting this Escrow Agreement, and (ii) that signing this Escrow Agreement using an electronic signature is the legal equivalent of having placed the undersigned officer's handwritten signature on this Escrow Agreement on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Escrow Agreement in a usable format.

**Section 15. Counterparts.** This Escrow 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.

**Section 16. Governing Law.** This Escrow Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

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

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

**MARYSVILLE JOINT UNIFIED  
SCHOOL DISTRICT**

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

**EXHIBIT A**  
**DEFEASANCE SECURITIES**

<b>Type</b>	<b>Maturity Date</b>	<b>Par Amount</b>	<b>Interest Rate</b>	<b>Cost</b>
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## EXHIBIT B

### NOTICE OF REDEMPTION

#### Marysville Joint Unified School District 2012 Certificates of Participation (Refunding and Capital Projects)

Each maturity of the Prior Certificates relating to this notice (as defined below) is identified by the corresponding CUSIP number set forth below:

Maturity Date (June 1)	Initial Principal Amount	Accretion Rate	Value at Redemption	Redemption Date	CUSIP
2023	\$1,648,402.80	5.000%	\$2,684,104.20	June 1, 2022	574348 AR9
2024	1,541,947.80	5.150	2,547,306.00	June 1, 2022	574348 AS7
2025	1,438,171.80	5.300	2,410,423.20	June 1, 2022	574348 AT5
2026	1,346,578.20	5.400	2,278,672.80	June 1, 2022	574348 AU2
2027	1,256,109.30	5.500	2,146,127.85	June 1, 2022	574348 AV0
2028	1,173,627.60	5.600	2,024,562.60	June 1, 2022	574348 AW8
2029	1,092,496.20	5.700	1,902,766.80	June 1, 2022	574348 AX6
2030	1,015,002.60	5.800	1,784,834.40	June 1, 2022	574348 AY4
2031	941,175.00	5.900	1,670,991.00	June 1, 2022	574348 AZ1
2032	871,041.60	6.000	1,561,349.40	June 1, 2022	574348 BA5
2033	811,311.15	6.050	1,461,294.65	June 1, 2022	574348 BB3
2034	756,042.00	6.110	1,369,589.40	June 1, 2022	574348 BC1
2035	702,462.00	6.170	1,279,857.00	June 1, 2022	574348 BD9
2036	652,263.65	6.220	1,194,123.00	June 1, 2022	574348 BE7
2037	610,191.60	6.250	1,120,273.20	June 1, 2022	574348 BF4
2038	570,880.80	6.270	1,050,139.80	June 1, 2022	574348 BG2
2039	535,320.60	6.280	985,646.40	June 1, 2022	574348 BH0
2040	501,847.20	6.290	924,931.80	June 1, 2022	574348 BJ6
2041	470,404.20	6.300	867,770.40	June 1, 2022	574348 BK3
2042	440,822.40	6.310	814,021.20	June 1, 2022	574348 BL1

**NOTICE IS HEREBY GIVEN** that the Marysville Joint Unified School District (the “District”), has caused to be deposited a portion of the proceeds of its Marysville Joint Unified School District Refunding Certificates of Participation, Series 2020 (Federally Taxable – Crossover Refunding), with The Bank of New York Mellon Trust Company, N.A., as escrow bank (the “Escrow Bank”) pursuant to the Escrow Agreement, dated as of [\_\_\_\_\_] 1, 2020 (the “Escrow Agreement”), by and between the District and the Escrow Bank, relating to the Marysville Joint Unified School District 2012 Certificates of Participation (Refunding and Capital Projects), as further described in the table above (the “Prior Certificates”), which were executed and delivered on July 17, 2012.

Under the terms of the Escrow Agreement, the Escrow Bank holds cash and eligible defeasance securities as required by the Trust Agreement, dated July 1, 2012 (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, to provide for the redemption of the Prior Certificates on June 1, 2022 (the “Redemption Date”) at a Redemption Price equal to the accreted value represented thereby, without premium (the “Redemption Price”). On the Redemption Date, there will become due and payable on the Prior Certificates the Redemption Price, and from and after the Redemption Date interest evidenced by the Prior Certificates shall cease to accrue and be payable.

On the Redemption Date, the Prior Certificates shall be surrendered at the offices of The Bank of New York Mellon Trust Company, N.A., Corporate Trust Services, One South Main, Suite 1200, Salt Lake City, Utah 84133 (or to any successor in trust).

In compliance with federal law, the Trustee is required to withhold at the current rate of withholding from payments of principal to individuals who fail to furnish valid Taxpayer Identification Numbers. A completed form W-9 should be presented with your Prior Certificates.

The CUSIP numbers have been assigned to this issue are included solely for the convenience of the bondholders. Neither the District nor the Trustee shall be responsible for the selection or use of the CUSIP numbers, nor is any representation made as to their correctness on the Prior Certificates or as indicated in any Redemption notice.

Dated \_\_\_\_\_, 2022.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.  
as Trustee

**EXHIBIT C**  
**ESCROW VERIFICATION REPORT**

CERTIFICATE PURCHASE  
AGREEMENT



\$[\_\_\_\_\_]  
**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2020  
(FEDERALLY TAXABLE – CROSSOVER REFUNDING)**

**CERTIFICATE PURCHASE AGREEMENT**

[\_\_\_\_\_], 2020

Marysville Joint Unified School District  
1919 B Street  
Marysville, CA 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 Refunding Certificates of Participation, Series 2020 (Federally Taxable – Crossover Refunding) (the “Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of [\_\_\_\_\_] 1, 2020 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A. (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).

The Refunding Certificates are being structured as crossover refunding certificates. A portion of the proceeds of the Refunding Certificates will be deposited in an escrow fund established under the Escrow Agreement, dated as of [\_\_\_\_\_] 1, 2020 (the “Escrow Agreement”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as escrow bank. Prior to and including [June 1, 2022] (the “Crossover Date”), amounts on deposit in such escrow fund will be applied to pay when due, the portion of the Base Rental Payments designated as the interest component evidenced by the Refunding Certificates. On the Crossover Date (provided there are sufficient funds on such date to pay the portion of the Base Rental Payments designated as the interest component evidenced by the Refunding Certificates due and to pay the redemption price of the Prior Certificates), the funds and investments in such escrow fund will be applied to the payment of redemption price for the Prior Certificates and, following such Crossover Date, the Refunding Certificates will be payable from legally available funds within the District’s general fund. The remaining portion of the proceeds of the Refunding Certificates will pay the costs incurred in connection with the execution and delivery of the Refunding Certificates.

**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 Refunding Certificates at an aggregate purchase price of \$[\_\_\_\_\_] (representing the aggregate principal amount evidenced by the Refunding Certificates of \$[\_\_\_\_\_] , less an Underwriter’s discount of \$[\_\_\_\_\_] ).

(b) From such aggregate purchase price for the Refunding 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 Refunding Certificates (\$[\_\_\_\_\_] ) shall be wired in immediately available funds to the Trustee to be applied pursuant to the Trust Agreement.

(c) The Refunding Certificates shall be dated the date of their delivery. The Refunding 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 Refunding 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) Payment of the principal and interest evidenced by the Refunding 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”).

(f) 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 [\_\_\_\_\_] 2020, relating to the Refunding Certificates (collectively, 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 Refunding 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.

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

**Section 2. Closing; Certificates.** At 8:30 a.m. California Time, on [\_\_\_\_\_] 2020, 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 Refunding 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 Refunding Certificates as set forth in Section 1 hereof in federal or other immediately available funds. The Refunding 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 Refunding 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 Refunding 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 3. 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 the Education 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates or the Certificate Documents, or contesting the validity of this Purchase Agreement, the Refunding 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 exemption of interest evidenced by the Refunding 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 Refunding 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 Refunding 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 Refunding 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 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.

(k) 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.

(l) 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.

(m) Pursuant to Section 17150.1(a) of the California Education Code, the District caused notice of the proposed execution and delivery of the Refunding 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 Refunding Certificates, including the repayment schedules for the base rental payments evidenced by the Refunding Certificates, evidence of the ability of the District to repay such base rental payments, and the delivery costs of the Refunding Certificates, to the Yuba County Superintendent of Schools, the Yuba County Auditor-Controller, the Board of Trustees and the public.

(n) 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 4. Conditions to the Obligations of the Underwriter.** (a) The obligation of the Underwriter to accept delivery of and pay for the Refunding 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 Refunding 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 Refunding 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 Refunding Certificates if the market price or marketability of the Refunding Certificates, or the ability of the Underwriter to enforce contracts for the sale of the Refunding 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 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 Refunding Certificates, or the Refunding 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 Refunding Certificates or obligations of the general character of the Refunding 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 Refunding Certificates, or the execution, delivery, offering or sale of the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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, 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 REFUNDING CERTIFICATES" "SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING CERTIFICATES" and "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 Refunding 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 Refunding Certificates, are accurate in all material respects;

(iv) an opinion of Kingsley Bogard, LLP, Folsom, California, 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, Folsom, California, 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 D 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 Refunding 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, The Depository Trust Company, ratings, rating agencies, 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 Refunding Certificates to the Underwriter pursuant to the Trust Agreement, (ii) when delivered to and paid for by the Underwriter on the Closing Date, the Refunding 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 Refunding 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 (iii) 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 Refunding Certificates or any of the Certificate Documents, or contesting the validity of the Refunding 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 Escrow Bank dated the Closing Date, signed by a duly authorized officer of the Escrow Bank, to the effect that (i) the Escrow Bank 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 Escrow Agreement, (ii) the execution and delivery of the Escrow Agreement and compliance with the provisions on the Escrow Bank'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 Escrow Bank is a party or is otherwise subject, 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 Escrow Bank pursuant to the lien created by the Escrow 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 Escrow Agreement, and (iii) 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 Escrow Bank, threatened against the Escrow Bank, affecting the existence of the Escrow Bank, or the titles of its officers to their respective offices or in any way contesting or affecting the validity or enforceability of the Escrow Agreement, or

contesting the powers of the Escrow Bank 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 Escrow Agreement or the ability of the Escrow Bank to perform its obligations thereunder;

(xiii) a report by Causey Demgen & Moore P.C., verifying the arithmetical accuracy of the computation of projected receipts for and of payments to pay interest evidenced by the Refunding Certificates coming due to and include the Crossover Date and to retire the Prior Certificates (the “Verification Report”);

(xiv) 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;

(xv) 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;

(xvi) 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;

(xvii) 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;

(xviii) 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;

(xix) 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;

(xx) evidence that any ratings described in the Official Statement are in full force and effect as of the Closing Date;

(xxi) 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;

(xxii) 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;

(xxiii) 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 Refunding Certificates, as described in the Official Statement;

(xxiv) 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;

(xxv) evidence of the insurance policy or policies maintained by the District as required pursuant to Section 5.01 of the Lease Agreement;

(xxvi) 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

(xxvii) 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 5. 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates.

**Section 6. 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, CA 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, CA 95661  
Attention: Rick Han, Senior Vice President

or such other address as shall be designated by any such party in a written notice to each of the other parties.

**Section 7. 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 Refunding Certificates hereunder.

**Section 8. 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 (i) that, by signing this Purchase Agreement using an electronic signature, it is signing, adopting and accepting this Purchase Agreement, and (ii) 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 Lease of this Purchase Agreement in a usable format.

**Section 9. Applicable Law.** This Purchase Agreement shall be interpreted, governed and enforced in accordance with the laws of the State of California.

**Section 10. 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.



**Section 11. 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**

[\_\_\_\_\_], 2020

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 Refunding Certificates of Participation, Series 2020 (Federally Taxable – Crossover Refunding)

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 Refunding Certificates of Participation, Series 2020 (Federally Taxable – Crossover Refunding) (the “Refunding 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, 2020 (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, 2020 (the “Ground Lease”), by and between the District and the Corporation; a Trust Agreement, dated as of \_\_\_\_\_ 1, 2020 (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 \_\_\_\_\_, 2020 (the “Continuing Disclosure Certificate”), executed by the District; a Certificate Purchase Agreement, dated \_\_\_\_\_, 2020 (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 September 22, 2020 (the “Resolution”) relating to the Refunding Certificates; an Official Statement, dated \_\_\_\_\_, 2020 (the “Official Statement”), which describes, among other things, the Refunding Certificates and the District; the Refunding 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 Refunding Certificates, and to participate in the transactions contemplated by the Refunding Certificates.
2. The Resolution to approve the execution and delivery of the Refunding 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 Refunding Certificates have been duly executed and delivered by the District to the other parties to the Refunding 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 Refunding 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 Refunding Certificates, or restrain or enjoin the payment of Base Rental Payments due under the Refunding 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 Refunding Certificates, or (iii) in any way contesting or affecting the validity of the Refunding 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**

[\_\_\_\_\_], 2020

Marysville Joint Unified School District Financing Corporation  
Bakersfield, 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 Refunding Certificates of  
Participation, Series 2020 (Federally Taxable – Crossover Refunding)  
(Corporation Counsel Opinion)

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 Refunding Certificates of Participation, Series 2020 (Federally Taxable – Crossover Refunding) (the “Refunding 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 [\_\_\_\_\_], 2020 (the “Resolution”) relating to the Refunding Certificates; the Ground Lease, dated as of [\_\_\_\_\_] 1, 2020 (the “Ground Lease”), by and between the Marysville Joint Unified School District (the “District”) and the Corporation; the Lease Agreement, dated as of [\_\_\_\_\_] 1, 2020 (the “Lease Agreement”), by and between the District and the Corporation; the Assignment Agreement, dated as of [\_\_\_\_\_] 1, 2020 (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, 2020 (the “Trust Agreement”), by and among the District, the Corporation and Trustee; an Official Statement, dated [\_\_\_\_\_], 2020 (the “Official Statement”), which describes, among other things, the Refunding Certificates and the Corporation; the Refunding 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 Refunding Certificates, and to participate in the transactions contemplated by the Refunding Certificates.
2. The Resolution to approve the execution and delivery of the Refunding 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 Refunding Certificates have been duly executed and delivered by the District to the other parties to the Refunding 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 Refunding 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 Refunding Certificates, or restrain or enjoin the payment of Base Rental Payments due under the Refunding 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 Refunding Certificates, or (iii) in any way contesting or affecting the validity of the Refunding 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  
REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2020  
(FEDERALLY TAXABLE – CROSSOVER REFUNDING)**

\$\_[\_\_\_\_\_] Serial Certificates

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
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\$\_[\_\_\_\_\_] [\_\_\_\_\_] % Term Certificates due June 1, 20[\_\_\_] Yield [\_\_\_\_\_] % Price [\_\_\_\_\_] %

\$\_[\_\_\_\_\_] [\_\_\_\_\_] % Term Certificates due June 1, 20[\_\_\_] Yield [\_\_\_\_\_] % Price [\_\_\_\_\_] %

\* At the time of the execution of this Purchase Agreement and assuming orders are confirmed immediately after the execution of this Purchase Agreement.

<sup>C</sup> Yield to call at par and priced to call at par, on June 1, 20[\_\_\_].

**PREPAYMENT**





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.

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 Refunding Certificates of Participation, Series 2020 (Federally Taxable – Crossover Refunding) (the “Refunding Certificates”). The Refunding Certificates are being executed and delivered pursuant to the Trust Agreement, dated as of [\_\_\_\_\_] 1, 2020 (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 Refunding 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 Refunding Certificates (including persons holding Refunding 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 Refunding 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 [\_\_\_\_\_], 2020, relating to the Refunding Certificates.

“**Participating Underwriter**” shall mean the original underwriter(s) of the Refunding Certificates required to comply with the Rule in connection with execution and delivery of the Refunding 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 2019-20 (which is due not later than April 15, 2021), 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates or other material events affecting the tax status of the Refunding Certificates;
- (2) Modifications to rights of holders of the Refunding Certificates;
- (3) Optional, unscheduled or contingent Refunding Certificate calls;
- (4) Release, substitution, or sale of property securing repayment of the Refunding 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 Refunding 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 Refunding 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 Refunding Certificates. If such termination occurs prior to the final principal payment date of the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 agree and acknowledge that it is such party's intent (a) that, by signing of this Disclosure Certificate using an electronic signature, it is signing, adopting and accepting this Disclosure Certificate, and (b) 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 Refunding Certificates, and shall create no rights in any other person or entity.

Date: \_\_\_\_\_, 2020

**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  
Refunding Certificates of Participation, Series 2020 (Federally  
Taxable – Crossover Refunding)  
Date of Delivery: [\_\_\_\_\_], 2020

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Refunding 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

**PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2020**

**NEW ISSUE  
FULL BOOK-ENTRY**

**RATINGS: S&P (insured): “[ ]”  
S&P (underlying): “[ ]”  
(See “RATINGS” herein)**

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.

*[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 Refunding Certificates is exempt from State of California personal income taxes. Special Counsel observes that the interest evidenced by the Refunding Certificates is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Special Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of the Refunding 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  
REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2020  
(FEDERALLY TAXABLE – CROSSOVER REFUNDING)**

**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 Refunding Certificates of Participation, Series 2020 (Federally Taxable – Crossover Refunding), in the aggregate principal amount of \$[ ] (the “Refunding 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, 2020 (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 Refunding Certificates will be used (i) to pay, when due, the Base Rental Payments evidenced by the Refunding Certificates to and including June 1, 2022 (the “Crossover Date”), (ii) to redeem all of the outstanding Marysville Joint Unified School District 2012 Certificates of Participation (Refunding and Capital Projects) (the “Prior Certificates”) on the Crossover Date at a redemption price equal to the accreted value of the Prior Certificates as of the Crossover Date, (iii) purchase a debt service reserve policy to satisfy the reserve requirement for the Refunding Certificates, and (iv) pay the costs incurred in connection with the execution and delivery of the Refunding Certificates.

Prior to and on the Crossover Date, the Base Rental Payments evidenced by the Refunding Certificates will be payable from the proceeds of the Refunding Certificates deposited into an escrow fund established therefor. After the Crossover Date, the Refunding Certificates are payable by the District from any source of legally available funds. 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; provided, however, that such annual appropriation covenant does not apply to the Base Rental Payments due prior to and on the Crossover Date. 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. However, 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 or held in an escrow fund, Rental Payments will not be abated but, rather, will be payable by the District as a special obligation payable solely from said funds and accounts. See “SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING CERTIFICATES – Abatement” and “RISK FACTORS – Abatement.”

Interest evidenced by the Refunding Certificates is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2020. See “THE REFUNDING CERTIFICATES” herein.

The Refunding 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 Refunding Certificates. Individual purchases of the Refunding Certificates will be made in book-entry form only. Purchasers of Certificates will not receive certificates representing their ownership interests in the Refunding Certificates purchased. The Refunding Certificates will be delivered in denominations of \$5,000 or any integral multiple thereof. Principal and interest payments evidenced by the Refunding Certificates will be paid directly to DTC by The Bank of New York Mellon Trust Company, N.A., as trustee for the Refunding Bonds. 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 Refunding Certificates. See “THE REFUNDING CERTIFICATES – Book-Entry Only System” herein.

The Refunding Certificates are subject to prepayment prior to maturity as described herein. See “THE REFUNDING 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 Refunding Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the execution and delivery of the Refunding Certificates by [ ].

[Insert Insurer logo]

\* Preliminary; subject to change.

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 Refunding Certificates.

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**MATURITY SCHEDULE – See Inside Cover**

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*The Refunding 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 & 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 Refunding Certificates in book-entry form will be available for delivery through the facilities of DTC on or about [\_\_\_\_\_], 2020.*

**[DAD logo]**

Dated: \_\_\_\_\_, 2020.

**MATURITY SCHEDULE\***  
**BASE CUSIP<sup>†</sup>: 574348**

\$[\_\_\_\_\_]\*  
**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2020**  
**(FEDERALLY TAXABLE – CROSSOVER REFUNDING)**

\$\_\_\_\_\_ **Serial Certificates**

Maturity Date (June 1,)	Principal Amount	Interest Rate	Yield	CUSIP Number <sup>†</sup>
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\$ \_\_\_\_\_ % Term Certificates due June 1, 20\_\_ Yield \_\_\_\_\_% CUSIP Number<sup>†</sup> \_\_\_\_

\$ \_\_\_\_\_ % Term Certificates due June 1, 20\_\_ Yield \_\_\_\_\_% CUSIP Number<sup>†</sup> \_\_\_\_

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\* Preliminary; subject to change.

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**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**(Yuba and Butte Counties, California)**

**BOARD OF TRUSTEES**

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Frank J. Crawford (Area 2), *Vice President*  
Susan E. Scott (Area 2), *Clerk*  
Jim C. Flurry (Area 3), *Member*  
Paul F. Allison (Area 4), *Member*

**DISTRICT ADMINISTRATORS**

Gary Cena, *Superintendent*  
Penny Lauseng, *Assistant Superintendent, Business 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 and Escrow Bank**

The Bank of New York Mellon Trust Company, N.A.  
*Los Angeles, California*

**Verification Agent**

Causey Demgen & Moore P.C.  
*Denver, Colorado*

This Official Statement does not constitute an offering of any security other than the original execution and delivery of the Refunding 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 Refunding 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 Refunding 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.

[Insurance 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 Refunding Certificates.

In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices of the Refunding 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 Refunding 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  
REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2020  
(FEDERALLY TAXABLE – CROSSOVER REFUNDING)**

### 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 Refunding Certificates of Participation, Series 2020 (Federally Taxable – Crossover Refunding), in the aggregate principal amount of \$[\_\_\_\_\_] (the “Refunding Certificates”). The Refunding 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, 2020 (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 incorporated portions of Yuba County and Butte County. The District operates fourteen elementary schools, three intermediate schools, two comprehensive high schools, two alternative high schools, 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 [10,157] students for fiscal year 2019-20 and is budgeted to be approximately [9,582] students in fiscal year 2020-21.

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, 2019, are included as Appendix B, and should be read in their entirety. For specific information on the impact of the Coronavirus Disease 2019 (“COVID-19”) pandemic (i) the District’s operations and finances, “RISK FACTORS – Infectious Disease Outbreak,”

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\* Preliminary; subject to change.

and (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.”

### **Security and Sources of Payment for the Refunding Certificates**

The Refunding Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of [\_\_\_\_\_] 1, 2020 (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, 2020 (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, 2020 (the “Assignment Agreement”), pursuant to which the Corporation will sell, assign and transfer to the Trustee for the benefit of the Refunding 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; provided, however, that such annual appropriation covenant does not apply to the Base Rental Payments due prior to and on June 1, 2022 (the “Crossover Date”). Under the Lease Agreement, the Base Rental Payments to and including the Crossover Date are payable from amounts deposited in the escrow fund pursuant to the Escrow Agreement, dated as of [\_\_\_\_\_] 1, 2020 (the “Escrow Agreement”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as escrow bank (the “Escrow Bank”). The Escrow Agreement provides that amounts on deposit in the escrow fund are for the benefit of the Owners of the Refunding Certificates, to pay, when due, the Base Rental Payments evidenced by the Refunding Certificates to the Crossover Date, and the Owners of the Refunding Certificates have a first and exclusive lien on the moneys and Defeasance Securities (defined herein) in the escrow fund until such moneys and Defeasance Securities are used and applied to pay the Base Rental Payments evidenced by the Refunding Certificates to and including the Crossover Date.

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 Refunding 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), or there are

funds held in an escrow fund established under the Escrow Agreement, 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 REFUNDING 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 Refunding Certificates, [\_\_\_\_\_] (“[\_\_\_\_\_]” or “Insurer”) will issue its Municipal Bond Insurance Policy for the Refunding Certificates (the “Insurance Policy”). The Insurance Policy guarantees the scheduled payment of principal of and interest evidenced by the Refunding 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 Refunding Certificate Owners. Upon the execution and delivery of the Refunding Certificates, a municipal bond debt service reserve insurance policy (the “Reserve Policy”), in an amount equal to the initial Reserve Requirement, issued by [\_\_\_\_\_] (the “Reserve Insurer”), will be deposited in the Reserve Fund for the Refunding Certificates. See “SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING CERTIFICATES – Reserve Fund” [and APPENDIX H – “SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY.”]

### **Purpose of the Refunding Certificates**

The proceeds of the Refunding Certificates will be used (i) to pay, when due, the Base Rental Payments evidenced by the Refunding Certificates to and including the Crossover Date, (ii) to redeem all of the outstanding Marysville Joint Unified School District 2012 Certificates of Participation (Refunding and Capital Projects) (the “Prior Certificates”) on the Crossover Date at a redemption price equal to the accreted value of the Prior Certificates as of the Crossover Date, (iii) purchase the Reserve Policy, and (iv) pay the costs incurred in connection with the execution and delivery of the Refunding Certificates. See “THE REFUNDING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS.”

### **Description of the Refunding Certificates**

The Refunding 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 Refunding Certificates. Individual purchases of the Refunding Certificates will be made in book-entry form only. Purchasers of the Refunding Certificates will not receive certificates representing their ownership interests in the Refunding



Certificates purchased. The Refunding Certificates will be delivered in denominations of \$5,000 or any integral multiple thereof. Principal and interest payments evidenced by the Refunding Certificates will be paid directly to DTC by the Trustee for the Refunding 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 Refunding Certificates. See “THE REFUNDING CERTIFICATES – General” and APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

Interest evidenced by the Refunding Certificates is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2020. See “THE REFUNDING CERTIFICATES – General.”

The Refunding Certificates are subject to prepayment prior to maturity as described herein. See “THE REFUNDING CERTIFICATES – Prepayment.”

For a more complete description of the Refunding Certificates and the basic documentation pursuant to which they are being sold and delivered, see “THE REFUNDING CERTIFICATES,” “SECURITY AND SOURCES OF PAYMENT FOR THE REFUNDING 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 Refunding 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 Refunding Certificates**

The Refunding 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 Refunding Certificates will be available in book-entry form for delivery through the facilities of DTC on or about [\_\_\_\_\_], 2020 (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 Refunding Certificates.

### **Continuing Disclosure**

The District has covenanted for the benefit of the holders and Beneficial Owners of the Refunding 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 2019-20 (which is due no later than April 15, 2021) 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”).

*[To be updated based on Underwriter’s CD 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 Refunding 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 Refunding Certificates, will be on file at the offices of the Trustee in Los Angeles, California.

## **THE REFUNDING CERTIFICATES**

### **General**

The Refunding 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 Refunding 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 Refunding Certificates will be due and payable semiannually on June 1 and December 1 of each year, commencing December 1, 2020 (each an “Interest Payment Date”). The interest evidenced by the Refunding 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 Refunding Certificates will be computed on the basis of a 360-day year consisting of twelve, 30-day months. Each Refunding 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 Refunding Certificate evidences interest from such Interest Payment Date, or unless such date of execution is on or prior to November 15, 2020, in which case such Refunding Certificate evidences interest from the Delivery Date. Notwithstanding the foregoing, if, as shown by the records of the Trustee, interest evidenced by the Refunding Certificates is in default, each Refunding 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 Refunding 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”); provided, however, that the Base Rental Payments due prior to and on the Crossover Date will be deposited with the Trustee by the Escrow Bank on each Interest Payment Date in accordance with the Escrow Agreement. 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 Refunding Certificates will be payable on their respective Principal Payment Dates and Mandatory Sinking Account Payment Dates in each year and will 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 Refunding Certificates will be subject to the Book-Entry System of registration, transfer and payment, and each Refunding 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 Refunding Certificates, and registered ownership may not thereafter be transferred except as provided in the Trust Agreement. The Refunding Certificates are being delivered in book-entry form only. Purchasers will not receive securities certificates representing their interests in the Refunding Certificates. Rather, in accordance with the Book-Entry System, purchasers of each Refunding Certificate will have beneficial ownership interests in the purchased Certificates through DTC Participants. For more information concerning the Book-Entry System, see “THE REFUNDING CERTIFICATES – Book-Entry Only System.”

Principal and interest payments evidenced by the Refunding Certificates will be paid directly to DTC by the Trustee for the Refunding Certificates.

While the Refunding Certificates are subject to the Book-Entry System, payments of principal and interest evidenced by the Refunding Certificates will be made by the Trustee 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 Refunding Certificates as described herein. See “THE REFUNDING CERTIFICATES – Book-Entry Only System” and APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

## **Prepayment\***

***Optional Prepayment.*** The Refunding 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 Interest Payment 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

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\* Preliminary; subject to change.

principal evidenced by the Refunding Certificates to be prepaid, plus unpaid accrued interest evidenced thereby to the date fixed for prepayment, without premium.

**Extraordinary Prepayment.** The Refunding 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 Refunding Certificates to be prepaid, plus unpaid accrued interest, if any, evidenced thereby to the date fixed for prepayment, without premium.

**Mandatory Sinking Account Prepayment.** The Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates payable on such prepayment dates are abated pursuant to the Lease Agreement as a result of the event that caused such Refunding 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 Refunding 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 Refunding Certificates to be prepaid pursuant to Mandatory Sinking Account Payments on any subsequent June 1 will be reduced by the aggregate principal evidenced such Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates payable on such prepayment dates are abated pursuant to the Lease Agreement as a result of the event that caused such Refunding 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 Refunding 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 Refunding Certificates to be prepaid pursuant to Mandatory Sinking Account Payments on any subsequent June 1 will be reduced by the aggregate principal evidenced such Refunding 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 Refunding 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 Refunding 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 Refunding Certificate Owners. For purposes of such selection, any Refunding 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 Refunding 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 Refunding Certificate numbers and the stated Principal Payment Date or Principal Payment Dates of the Refunding Certificates to be prepaid (except in the event of prepayment of all of the Refunding Certificates in whole), and will require that such Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates to be prepaid, and that if such moneys are not received said notice will be of no force and effect and such Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates to be prepaid are held by the Trustee, then on the prepayment date designated in such notice, the Refunding 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 Refunding Certificates will cease to accrue and such Refunding Certificates will cease to be entitled to any benefit or security under the Trust Agreement except for the right of the Owners of such Refunding Certificates to receive payment of the prepayment price thereof.

### **Book-Entry Only System**

DTC will act as securities depository for the Refunding Certificates. The Refunding 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 Refunding Certificate will be issued for each stated Principal Payment Date of the Refunding Certificates, each in the aggregate amount of the principal evidenced by Refunding 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 Refunding Certificates or (b) the District determines to remove DTC from its functions as a depository, DTC’s role as securities depository for the Refunding 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 Refunding 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 Refunding Certificates are registered will become the registered Owners of the Refunding Certificates for all purposes.

The following provisions regarding the exchange and transfer of the Refunding Certificates apply only during any period in which the Refunding Certificates are not subject to DTC's book-entry system. While the Refunding 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 Refunding 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 Refunding 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 Refunding Certificate as the absolute owner of such Refunding Certificate for all purposes, whether or not the principal or interest evidenced by such Refunding 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 Refunding Certificate will be made only to such Owner, which payments will be valid and effectual to satisfy and discharge the liability evidenced by such Refunding Certificate to the extent of the sum or sums so paid.

Whenever any Refunding Certificate or Refunding Certificates will be surrendered for transfer, the Trustee will execute and deliver a new Refunding Certificate or Refunding 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.

Refunding Certificates may be exchanged at the Principal Office of the Trustee for Refunding 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 Refunding Certificate during the period commencing five days before the date of selection of the Refunding 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 Refunding 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 REFUNDING CERTIFICATES**

### **Nature of the Refunding Certificates**

Each Refunding 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 Refunding Certificate, and the interest component of all Base Rental Payments (based on the stated interest rate with respect to such Refunding 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 Refunding 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. Under the Lease Agreement, the Base Rental Payments to and including the Crossover Date are payable from amounts deposited in the escrow fund pursuant to the Escrow Agreement. The Escrow Agreement provides that amounts on deposit in the escrow fund are for the benefit of the Owners of the Refunding Certificates, to pay, when due, the Base Rental Payments evidenced by the Refunding Certificates to the Crossover Date, and the Owners of the Refunding Certificates have a first and exclusive lien on the moneys and Defeasance Securities (defined herein) in the escrow fund until such moneys and Defeasance Securities are used and applied to pay the Base Rental Payments evidenced by the Refunding Certificates to and including the Crossover Date. See “THE REFUNDING PLAN.”

The Base Rental Payments evidenced by the Refunding Certificates will be payable no later than the Base Rental Deposit Date; provided, however, that the Base Rental Payments due prior to and on the Crossover Date will be deposited with the Trustee by the Escrow Bank on each Interest Payment Date in accordance with the Escrow Agreement. To secure the payment of the Base Rental Payments prior to and on the Crossover Date, the Escrow Bank is required to transfer to the Trustee, for deposit into the Base Rental Payment Fund, on each Interest Payment Date, an amount sufficient to pay the Base Rental Payment then due in accordance with the Escrow Agreement. To secure the payment of the Base Rental Payments after the Crossover Date, 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 Refunding Certificate Owners, the interest evidenced by the Refunding 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 Refunding Certificate Owners, the principal evidenced by the Refunding 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; provided, however, that the Base Rental Payments due prior to and on the Crossover Date will be deposited with the Trustee by the Escrow Bank on each Interest Payment Date in accordance with the Escrow Agreement.

Interest Payment Date	Principal Component	Interest Component	Total Semi-Annual Base Rental Payment	Total Annual Base Rental Payment
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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 Refunding 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 Refunding 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. However, such annual appropriation does not apply to the Base Rental Payments due prior to and including the Crossover Date. The Base Rental Payments to and including the Crossover Date are payable from amounts deposited in the escrow fund established pursuant to the Escrow Agreement.

## **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 or held in an escrow fund established under the Escrow 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 proceeds of the issue,” within the meaning of Section 148 of the Code (as defined herein), (b) the maximum amount of principal and interest evidenced by the Refunding Certificates coming due in any Certificate Year and (c) 125% of the average amount of principal and interest evidenced by the Refunding 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, 2021]. Upon the execution and delivery of the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 District Office and Olivehurst Elementary School is located, together with the buildings and improvements located thereon.

The District Office, constructed in 1946, is located at 1919 B Street, Marysville, California 95901. The District Office consists of [\_\_\_\_\_] buildings, totaling 102,106 square feet. The District Office includes [\_\_\_\_\_] and [a parking area]. The District Office is located on a [\_\_\_\_\_] acre site.

Olivehurst Elementary School, constructed in 1951, is located at 1778 McGowan Road, Olivehurst, California 95961. Olivehurst Elementary School is currently serving approximately [\_\_\_\_\_] students in [kindergarten through sixth grade]. Olivehurst Elementary School consists of [\_\_\_\_\_] buildings, totaling 54,655 square feet. The Olivehurst Elementary School includes [\_\_\_\_\_] standard classrooms, [1 computer lab, administrative facilities, an auditorium, a library, athletic fields, a cafeteria and a parking area][*District to describe facilities on school site*]. The 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.”

## THE REFUNDING PLAN

In order to finance the certain capital projects and refinance the Marysville Joint Unified School District 2006 Certificates of Participation, the District caused to be executed and delivered the Prior Certificates pursuant to a Trust Agreement, dated as of July 1, 2012 (the “Prior Trust Agreement”), by and

among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Prior Trustee”), the District and the Corporation. See “DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – District Debt Structure.”

The proceeds of the Refunding Certificates will be used (i) to pay, when due, the Base Rental Payments evidenced by the Refunding Certificates to and including the Crossover Date, (ii) to redeem the Prior Certificates on June 1, 2022 (the “Redemption Date”) at a redemption price equal to the accreted value of the Prior Certificates as of the Crossover Date (the “Redemption Price”), (iii) purchase the Reserve Policy, and (iv) pay the costs incurred in connection with the execution and delivery of the Refunding Certificates. See “ESTIMATED SOURCES AND USES OF FUNDS.” The Prior Certificates are further described in the following table.

### Prior Certificates

Maturity Date (June 1)	Initial Principal Amount	Accretion Rate	Accreted Value as of Redemption Date	Redemption Date	CUSIP
2023	\$1,648,402.80	5.000%	\$2,684,104.20	June 1, 2022	574348 AR9
2024	1,541,947.80	5.150	2,547,306.00	June 1, 2022	574348 AS7
2025	1,438,171.80	5.300	2,410,423.20	June 1, 2022	574348 AT5
2026	1,346,578.20	5.400	2,278,672.80	June 1, 2022	574348 AU2
2027	1,256,109.30	5.500	2,146,127.85	June 1, 2022	574348 AV0
2028	1,173,627.60	5.600	2,024,562.60	June 1, 2022	574348 AW8
2029	1,092,496.20	5.700	1,902,766.80	June 1, 2022	574348 AX6
2030	1,015,002.60	5.800	1,784,834.40	June 1, 2022	574348 AY4
2031	941,175.00	5.900	1,670,991.00	June 1, 2022	574348 AZ1
2032	871,041.60	6.000	1,561,349.40	June 1, 2022	574348 BA5
2033	811,311.15	6.050	1,461,294.65	June 1, 2022	574348 BB3
2034	756,042.00	6.110	1,369,589.40	June 1, 2022	574348 BC1
2035	702,462.00	6.170	1,279,857.00	June 1, 2022	574348 BD9
2036	652,263.65	6.220	1,194,123.00	June 1, 2022	574348 BE7
2037	610,191.60	6.250	1,120,273.20	June 1, 2022	574348 BF4
2038	570,880.80	6.270	1,050,139.80	June 1, 2022	574348 BG2
2039	535,320.60	6.280	985,646.40	June 1, 2022	574348 BH0
2040	501,847.20	6.290	924,931.80	June 1, 2022	574348 BJ6
2041	470,404.20	6.300	867,770.40	June 1, 2022	574348 BK3
2042	440,822.40	6.310	814,021.20	June 1, 2022	574348 BL1

On the Delivery Date, a portion of the proceeds of the Refunding Certificates will be transferred to The Bank of New York Mellon Trust Company, N.A., as escrow bank (the “Escrow Bank”). The proceeds so transferred to the Escrow Bank will be used to purchase direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody’s (or any combination of the foregoing) (the “Defeasance Securities”). The Escrow Agreement provides that amounts on deposit in the escrow fund are (i) for the benefit of the Owners of the Refunding Certificates, to pay, when due, the portion of the Base Rental Payments designated as the interest component evidenced by the Refunding Certificates to and including the Crossover Date, and (ii) on and after the Redemption Date, for the benefit of the Owners of the Prior Certificates, to pay on the Redemption Date the Redemption Price of the Prior Certificates, which amounts will be held in trust by the Escrow Bank. Under the Escrow Agreement, the Owners of the Refunding Certificates will have a first and exclusive lien on the moneys and Defeasance Securities in the

escrow fund until such moneys and Defeasance Securities are used and applied to pay the portion of the Base Rental Payments designated as the interest component evidenced by the Refunding Certificates to and including the Crossover Date, and on and after the Redemption (provided the aforementioned payments are made), the Owners of the Prior Certificates will have a first and exclusive lien on the moneys and Defeasance Securities in the escrow fund until such moneys and Defeasance Securities are used to pay the Redemption Price of the Prior Certificates as provided in this Escrow Agreement. The sufficiency of the amounts deposited into and of the investments held by the Escrow Bank will be verified by the Verification Agent (defined herein). See “ESCROW VERIFICATION.”

### **ESTIMATED SOURCES AND USES OF FUNDS**

The estimated sources and uses of funds with respect to the Refunding Certificates and other available funds are set forth below.

#### SOURCES

Principal Amount of Refunding Certificates	\$
Total Sources	\$

#### USES

Escrow Fund <sup>(1)</sup>	\$
Underwriter’s Discount	
Costs of Issuance <sup>(2)</sup>	
Total Uses	\$

<sup>(1)</sup> Amounts on deposit in the escrow fund will be applied to pay the Base Rental Payments evidenced by the Refunding Certificates to and including the Crossover Date. On the Crossover Date, amounts on deposit in the escrow fund will be applied to pay the Redemption Price of the Prior Certificates.

<sup>(2)</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 Refunding 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 Refunding 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, prior to and on the Crossover Date, the Base Rental Payments evidenced by the Refunding Certificates are payable from the proceeds of the Refunding Certificates deposited into an escrow fund established under the Escrow Agreement, and after the Crossover Date, the District is obligated under the Lease Agreement to pay the Base Rental Payments from any source of legally available funds. Further, 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. However, such annual appropriation does not apply to the Base Rental Payments due prior to and including the Crossover Date. The Base Rental Payments to and including the Crossover Date are payable from amounts deposited in the escrow fund established pursuant to the Escrow Agreement.

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 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 Refunding Certificates in a timely manner, and the Trustee is not empowered to sell the Property for the benefit of the Owners of the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates, or result in losses to the Owners of the Refunding 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 Refunding 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 Refunding 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 Refunding Certificates could suffer substantial losses.

If the District rejects the Ground Lease, the rights of the Trustee and the Owners of the Refunding 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 Refunding Certificates may have a claim in the District's bankruptcy, this claim for damages may be significantly limited, and the Owners of the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates. Under such circumstances, the Owners of the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates, or in other losses to the Owners of the Refunding Certificates. There may be delays in payments on the Refunding 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 Refunding 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 Refunding Certificates could result. If a court were to adopt such position, then delays or reductions in payments evidenced by the Refunding Certificates, or other losses to the Owners of the Refunding 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 Refunding 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 Refunding 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 Refunding Certificates could suffer substantial losses.

If the Corporation is in bankruptcy, the parties (including the Trustee and the Owners of the Refunding 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 Refunding 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 Refunding Certificates. Under such circumstances, the Owners of the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding Certificates, or in other losses to the Owners of the Refunding Certificates. There may be delays in payments on the Refunding 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 Refunding 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 Refunding Certificates being includable in gross income for

purposes of federal income taxation retroactive to the date of delivery of the Refunding Certificates. Should such an event of taxability occur, the Refunding 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 REFUNDING 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 Refunding 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 or held in an escrow fund established under the Escrow 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 Refunding 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. Additionally, numerous minor faults transect the area. Active earthquake faults include the San Andreas Fault that runs throughout the County and other smaller faults including the Lower Elysian Park thrust, the Upper Elysian Park fault and Puente Hills blind thrust system. Seismic hazards encompass both potential surface rupture and ground shaking. 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 REFUNDING CERTIFICATES – Insurance.”

**Wildfires.** In recent years, portions of California, including the Counties and adjacent counties, have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures. In November 2018, the Camp Fire burned approximately 153,336 acres of land in Yuba County according to the California Department of Forestry and Fire Protection (“Cal Fire”). In October 2017, the Cascade Fire burned approximately 9,989 acres of land in Yuba County according to Cal Fire. [Within the boundaries of the District, no property was damaged or destroyed by the Camp Fire, Cascade Fire or other recent wildfires. Further, no District facilities were damaged or destroyed by the Camp Fire, Cascade Fire or other recent wildfires.][*District to confirm.*] However, the 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 THE REFUNDING CERTIFICATES – Insurance.” [*Are there any other recent fires within or near the District?*]

**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. [*District to confirm.*][None of the facilities comprising the Property are located within a 100-year flood plain.] 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 C – “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 REFUNDING 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.]

## **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.

[The District is unaware of the existence of hazardous substances on the Property sites which would materially interfere with the beneficial use thereof.]

## **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.

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 State and the State's own budget difficulties. See "– Infectious Disease Outbreak" below. 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 – Local Sources of Education Funding – *Allocation of State Funding to School District; 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 \$[\_\_\_] million under the CARES Act, which includes approximately \$[\_\_\_] million from the Elementary and Secondary Schools Emergency Relief Fund provided directly from the federal government to the District, approximately \$[\_\_\_] million from the Coronavirus Relief Fund for learning loss mitigation provided from CARES Act funding administered through the State, approximately \$[\_\_\_] million from the Governor’s Emergency Education Relief Fund for learning loss mitigation provided from CARES Act funding administered through the State, and approximately \$[\_\_\_] million from the State’s general fund for learning loss mitigation provided from CARES Act funding administered through the State. A significant portion of the District’s funding under the CARES Act is expected to be received in September 2020.

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 ADA 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.

District Response. As a result of the outbreak of COVID-19, the District closed its schools for in-person instruction effective March [\_\_\_], 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. *[District to confirm.] [Marysville Team: We need to know (1) how COVID-19 impacted the District's finances in FY 19-20 and (2) the anticipated impact of COVID-19 on FY 20-21. For example, with FY 19-20, did you incur additional costs, where they offset by reductions in other areas, and are you expecting overall positive, negative, or flat impact to District's actuals for FY 19-20? For FY 20-21, are you budgeting for COVID-19 related protective equipment or what COVID-19 related expenses are you anticipating and how is that impacting the District's budget?]*

In fiscal year 2019-20, the District recorded \$[\_\_\_\_\_] (unaudited) in COVID-19 related expenditures, largely resulting from increased expenditures for [\_\_\_\_\_]. As discussed above, the District received \$[160,011] under SB 117 in fiscal year 2019-20 to apply to such expenses. In fiscal year 2020-21, the District is budgeting for additional COVID-19 related expenditures for [\_\_\_\_\_]. The District has been allocated approximately \$[\_\_\_\_\_] million one-time funds under the CARES Act to mitigate the impact of COVID-19 during fiscal year 2020-21[, which the District currently expects will cover the increased expenditures relating to COVID-19].

While SB 117 and the CARES Act have provided and will continue to provide some immediate relief to school districts, including the District, 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. *[District to describe any cybersecurity events within the past 5 years. Does the District have a cybersecurity policy in place? Does the District have cybersecurity insurance? Has the District implemented any other practices to reduce or defend against cybersecurity threats/attacks?]*

## **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 incorporated portions of Yuba County and Butte County. The District

operates fourteen elementary schools, three intermediate schools, two comprehensive high schools, two alternative high schools, 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 [10,157] students for fiscal year 2019-20 and is budgeted to be approximately [9,582] students in fiscal year 2020-21.

**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. *[What is the significance of the “Trustee Representative” position?]* Current members of the Board of Trustees, together with their office, trustee area and the date their current term expires, are set forth on the following page.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
(Yuba and Butte Counties, California)**

**Board of Trustees**

Name	Office	Trustee Area	Term Expires
Randy L. Ramussen	President	Area 3	December 2022
Frank J. Crawford	Vice President	Area 2	December 2022
Susan E. Scott	Clerk	Area 2	December 2020
Jim C. Flurry	Trustee Representative	Area 3	December 2020
Paul F. Allison	Member	Area 4	December 2020
Jeff D. Boom	Member	Area 4	December 2022
Randy L. Davis	Member	Area 1	December 2020

**Superintendent and Business Services Personnel**

The Superintendent of the District is appointed by the Board of Trustees. The Assistant Superintendent of Business Services is hired by the Superintendent. The Superintendent reports directly to the Board of Trustees. The Assistant Superintendent of Business Services reports directly to the Superintendent. 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 [\_\_\_\_\_]. The Assistant Superintendent of Business Services is responsible for management of the District’s finances and business operations. Penny Lauseng has served as Assistant Superintendent of Business Services since [\_\_\_\_\_].

*Gary Cena, Superintendent. [District to provide biography.]*

*Penny Lauseng, Assistant Superintendent of Business Services. [District to provide biography.]*

**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 received approximately 75.20% 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), at approximately \$93.98 million in fiscal year 2019-20 (unaudited). The District has budgeted to receive approximately 70.40% 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), budgeted at approximately \$85.15 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 from the term to maturity of the Refunding Certificates, and the District takes no responsibility for informing owners of the Refunding 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 Rainy Day Fund, \$450 million from the Safety Net Reserve, and all of the funds in the Public School System Stabilization Account.
- **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, 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.

***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 State is accessing 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.” In order to mitigate some of the reductions in State revenue based on the 2020-21 State Budget, school districts may choose to access their local reserves. 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 the preparation of the District's fiscal year 2020-21 budget, the District's reserves exceed the 3% reserve requirement in fiscal years 2020-21, 2021-22, and 2022-23. Since the District's original adopted budget for fiscal year 2020-21 was informed by 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, the District's projections with respect to fiscal year 2020-21 have been revised. For more information, see “- District Budget Process and County Review – *District's Fiscal Year 2020-21 Budget.*” [*District to review/update/confirm.*]

***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. Further, this amount also includes a costs of living adjustment of 3.26% authorized by the 2019-20 State Budget. 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, Governor Newsom issued Executive Order N-56-20, which extends the deadline for school districts to submit their LCAP until December 15, 2020 if certain conditions are met, including that the school district prepares a written report to the community that explains the changes to program offerings the school district has made to address the COVID-19 emergency and the major impacts of such closures on students and families. [Accordingly, the District presented such report on [\_\_\_\_], 2020.]

Further, 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. [The Board of Trustees expects to adopt a Learning Continuity and Attendance Plan on or about [\_\_\_\_\_], 2020 and submit such plan to the Yuba County Office of Education in accordance with the Education Code, as modified by Executive Order N-56-20 and the 2020-21 State Budget.]

**Attendance and LCFF.** The following table sets forth the District’s actual A.D.A., enrollment (including 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 budgeted A.D.A., enrollment (including “EL/LI Students”), and targeted Base Grant per unit of A.D.A. 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]. *[District to confirm if one or both charters are included in data below.]*

**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	1,204.23	2,351.62	8,973.59	9,804	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	1,230.89	2,301.14	9,078.83	9,986	82.16%
	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	1,274.25	2,299.72	9,142.03	10,096	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	1,308.64	2,328.80	9,212.49	10,153	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> :	[_____]	[_____]	[_____]	[_____]	[9,148.20]	[10,157]	[_____]
	Targeted Base Grant <sup>(2)(7)</sup> :	\$8,503	\$7,818	\$8,050	\$9,572	--	--	--
2020-21 <sup>(8)</sup>	A.D.A.:	[_____]	[_____]	[_____]	[_____]	[9,147.23]	[9,582]	[_____]
	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 LCFF. Such amounts were not expected to be fully funded in fiscal years shown above. However, the LCFF 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 (unaudited) in aggregate revenues reported under LCFF sources in fiscal year 2019-20, and has budgeted to receive approximately \$94.72 million in aggregate revenues under the LCFF in fiscal year 2020-21 (or approximately 78.31% of its general fund revenues in fiscal year 2020-21). Such amount includes supplemental grants and concentrated grants for targeted groups of \$[\_\_\_\_\_] (unaudited) and \$[\_\_\_\_\_] (unaudited), respectively, in fiscal year 2019-20, and are budgeted to be \$[\_\_\_\_\_] million and \$[\_\_\_\_\_] million, respectively, in fiscal year 2020-21.

For information on the impact of infectious diseases on the District's ADA 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 account for approximately 17.43% of the District's aggregate revenues reported under LCFF sources and are approximately \$17.74 million, or 14.19% of total general fund revenues in fiscal year 2019-20 (unaudited). Local property tax revenues are budgeted to account for approximately 18.73% of the District's aggregate revenues reported under LCFF sources and are budgeted to be approximately \$17.74 million, or 14.67% 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 the 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, comprised approximately 5.64% (or approximately \$7.05 million) of the District's general fund revenues for fiscal year 2019-20 (unaudited), and comprise approximately 10.08% (or approximately \$12.19 million) of the District's general fund budgeted 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 comprised approximately 7.95% (or approximately \$9.94 million) of the District's general fund revenues for fiscal year 2019-20 (unaudited), and comprise approximately 6.76% (or approximately \$8.17 million) of the District's general fund budgeted 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 received approximately \$2.04 million in State lottery revenue for fiscal year 2019-20 (unaudited), and has budgeted to receive approximately \$1.88 million from State lottery revenue in 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 comprised approximately 4.96% (or approximately \$6.20 million) of the District's general fund revenues for fiscal year 2019-20 (unaudited), and comprise approximately 4.86% (or approximately \$5.87 million) of the District's general fund budgeted 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.][*District to confirm – Does any District funding support YESCA?*]

MCAA serves students in grades 7-12. The enrollment at MCAA in fiscal year 2019-20 was [383] students and is budgeted to be approximately [\_\_\_\_] students in fiscal year 2020-21. The District's audited financial statements for fiscal year 2018-19, 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 budgeted to be approximately [\_\_\_\_] 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.

[YESCA serves students in grades K-8. The enrollment at YESCA's in fiscal year 2019-20 was [140] students and is budgeted to be approximately [\_\_\_\_] students in fiscal year 2020-21.]

The District can make no representation as to whether any 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, A.D.A. or finances in future years.

## **Local Property Taxation**

Taxable property located in the District has a fiscal year 2019-20 assessed value of \$4,609,552,881. 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 following table sets forth the assessed valuation of the various classes of property in the District’s boundaries from fiscal year 2007-08 through 2019-20, each as of the date that the equalized assessment roll is established in August of each year.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**(Yuba and Butte Counties, California)**  
**Assessed Valuations**  
**Fiscal Years 2007-08 through 2019-20**

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

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

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

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 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 property in the District. For more information on the impact of the COVID-19 pandemic, see “RISK FACTORS – Infectious Disease Outbreak.”

***Risk of Earthquake.*** Property values could be reduced by the complete or partial destruction of taxable property as a result of an 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. see “RISK FACTORS – Seismic Factors and Natural Disasters.”

***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. 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 – Seismic Factors and Natural Disasters.” 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 2019-20.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
(Yuba and Butte Counties, California)  
Fiscal Year 2019-20 Assessed Valuation by Jurisdiction**

Jurisdiction	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Marysville	\$737,412,287	16.00%	\$737,412,287	100.00%
Unincorporated Yuba County	3,819,237,263	82.85	\$5,184,125,836	73.67%
Unincorporated Butte County	52,903,331	1.15	\$9,292,277,423	0.57%
Total District	\$4,609,552,881	100.00%		
<u>Summary by County:</u>				
Yuba County	\$4,556,649,550	98.85%	\$6,215,689,624	73.31%
Butte County	52,903,331	1.15	\$21,899,804,664	0.24%
Total District	\$4,609,552,881	100.00%		

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 2019-20 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 2019-20 Assessed Valuation and Parcels by Land Use**

	2019-20 Assessed Valuation <sup>(1)</sup>	% of Total	No. of Parcels	% of Total
<b>Non-Residential:</b>				
Agricultural/Rural	\$554,802,874	12.61%	1,702	6.64%
Commercial/Office	296,642,711	6.74	650	2.53
Vacant Commercial	24,388,041	0.55	233	0.91
Industrial	178,218,521	4.05	150	0.58
Vacant Industrial	10,946,495	0.25	82	0.32
Recreational	15,417,920	0.35	66	0.26
Government/Social/Institutional	1,072,049	0.02	1,091	4.25
Miscellaneous	23,362,302	0.53	75	0.29
Subtotal Non-Residential	<u>\$1,104,850,913</u>	<u>25.11%</u>	<u>4,049</u>	<u>15.79%</u>
<b>Residential:</b>				
Single Family Residence	\$2,631,524,624	59.81%	14,566	56.79%
Condominium/Townhouse	18,524,187	0.42	256	1.00
Mobile Home	248,093,688	5.64	2,501	9.75
Mobile Home Park	24,687,212	0.56	29	0.11
Hotel/Motel	19,668,217	0.45	13	0.05
2-4 Residential Units	50,162,926	1.14	375	1.46
5+ Residential Units/Apartments	114,443,400	2.60	200	0.78
Miscellaneous Residential	23,015,702	0.52	237	0.92
Vacant Residential	164,842,238	3.75	3,422	13.34
Subtotal Residential	<u>\$3,294,962,194</u>	<u>74.89%</u>	<u>21,599</u>	<u>84.21%</u>
<b>TOTAL</b>	<b>\$4,399,813,107</b>	<b>100.00%</b>	<b>25,648</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 2019-20, including the average and median per parcel assessed value.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT  
(Yuba and Butte Counties, California)  
Fiscal Year 2019-20 Per Parcel Assessed Valuation of Single Family Homes**

	Number of Parcels	2019-20 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	14,566	\$2,631,524,624	\$180,662	\$159,217

2019-20 Assessed Valuation	No. of Parcels <sup>(1)</sup>	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	207	1.421%	1.421%	\$ 3,638,617	0.138%	0.138%
\$25,000 - \$49,999	867	5.952	7.373	34,529,282	1.312	1.450
\$50,000 - \$74,999	1,292	8.870	16.243	81,402,746	3.093	4.544
\$75,000 - \$99,999	1,615	11.087	27.331	141,862,916	5.391	9.935
\$100,000 - \$124,999	1,546	10.614	37.945	173,684,415	6.600	16.535
\$125,000 - \$149,999	1,333	9.151	47.096	182,499,976	6.935	23.470
\$150,000 - \$174,999	1,225	8.410	55.506	199,117,587	7.567	31.037
\$175,000 - \$199,999	1,085	7.449	62.955	202,470,695	7.694	38.731
\$200,000 - \$224,999	935	6.419	69.374	198,219,271	7.532	46.263
\$225,000 - \$249,999	904	6.206	78.580	214,452,631	8.149	54.412
\$250,000 - \$274,999	788	5.410	80.990	206,918,584	7.863	62.276
\$275,000 - \$299,999	787	5.403	86.393	224,952,350	8.548	70.824
\$300,000 - \$324,999	671	4.607	91.000	209,127,793	7.947	78.771
\$325,000 - \$349,999	355	2.437	93.437	119,307,592	4.534	83.305
\$350,000 - \$374,999	198	1.359	94.796	71,609,244	2.721	86.026
\$375,000 - \$399,999	134	0.920	95.716	51,764,941	1.967	87.993
\$400,000 - \$424,999	116	0.796	96.512	47,800,291	1.816	89.809
\$425,000 - \$449,999	129	0.886	97.398	56,208,415	2.136	91.945
\$450,000 - \$474,999	100	0.687	98.085	46,035,638	1.749	93.695
\$475,000 - \$499,999	56	0.384	98.469	27,260,526	1.036	94.731
\$500,000 and greater	223	1.531	100.000	138,661,114	5.269	100.000
Total	14,566	100.000%		\$2,631,524,624	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 2019-20 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 2019-20 Local Secured Taxpayers**

Property Owner	Primary Land Use	2019-20 Assessed Valuation	Percent of Total <sup>(1)</sup>
1. Western Aggregates Inc.	Industrial – Mining	\$ 26,799,677	0.61%
2. Airport Ranch Co.	Agricultural	23,365,254	0.53
3. Hampac LLC	Office Building	21,007,501	0.48
4. Wal-Mart Real Estate Business Trust	Shopping Center	18,748,041	0.43
5. Recology Yuba Sutter	Waste Management	18,404,998	0.42
6. Sutter View Ranch LLC	Agricultural	13,986,282	0.32
7. LJ Rice Farms LLC	Agricultural	13,443,391	0.31
8. Farmland Reserve Inc.	Agricultural	12,852,165	0.29
9. Nordic Industries Inc.	Light Industrial	12,627,524	0.29
10. Shintaffer Farms Inc.	Food Processing	12,006,023	0.27
11. Laura Homes Peters	Agricultural	11,541,009	0.26
12. Ajit S. Bains and Maria Del Carmen	Agricultural	11,336,569	0.26
13. Triangle Properties Inc.	Industrial – Mining	11,155,319	0.25
14. California Water Service Company	Water Company	11,027,124	0.25
15. K Hovnanian at Wheeler Ranch LLC	Residential Development	11,011,163	0.25
16. Cal Sierra Limited LP	Agricultural	10,867,391	0.25
17. R B Satori LP	Agricultural	10,564,984	0.24
18. Sarbit S. and Prabhjot K. Johl	Agricultural	10,203,964	0.23
19. James J. Hill III	Agricultural	10,188,696	0.23
20. LGI Homes – California LLC	Residential Development	10,072,465	0.23
		\$281,209,540	6.39%

<sup>(1)</sup> 2019-20 Local secured assessed valuation: \$4,399,813,107  
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). This Tax Rate Area comprises approximately 11.19% of the total assessed value of the District for fiscal year 2019-20. The information for fiscal year 2020-21 is not available at this time.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**(Yuba and Butte Counties, California)**  
**Typical Total Tax Rates per \$100 of Assessed Valuation (TRA 001-001)**  
**Fiscal Years 2015-16 through 2019-20**

	2015-16	2016-17	2017-18	2018-19	2019-20
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Marysville Joint Unified School District	0.115075	0.119443	0.104469	0.112063	0.110247
Yuba Joint Community College District	0.024935	0.026346	0.025348	0.029941	0.028741
Total Tax Rate	1.140010%	1.145789%	1.129817%	1.142004%	1.138988%

Source: California Municipal Statistics, Inc.

**Tax Charges and Delinquencies**

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.

As a result of the recent outbreak of COVID-19, property owners within Yuba County and Butte County affected by COVID-19 had the opportunity to submit a request to have late penalties cancelled if they were unable to pay their property taxes as a result of hardships caused by COVID-19. 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.”

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.

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 can be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of a natural or manmade disaster, such as earthquake, drought, flood, fire, toxic dumping or pandemic. 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."

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 Reports**

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, 2019, which are included as Appendix B.

Independently audited financial reports 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. The following tables contain data abstracted from financial statements prepared by the District's former independent auditor, Crowe Horwath LLP ("Crowe"), Sacramento, California, for fiscal year 2014-15, and by the District's current independent

auditor, Christy White Associates (“Christy White”), San Diego, California, for fiscal years 2015-16 through 2018-19. [District to describe reason for change in auditors.]

The change in auditors in fiscal year 2015-16 resulted in the District presenting certain financial information differently in its audited financial statements. Thus, the information presented in the tables below for fiscal year 2014-15 and fiscal years 2015-16 through 2018-19 are categorized differently. Although historical total revenue and expenditure figures are comparatively consistent, the categorical breakdown of revenues and expenditures is different for the revised accounting formats and is not directly comparable.

Crowe and Christy White have not been requested to consent to the use or to the inclusion of their respective reports in this Official Statement, and they have not audited or reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

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 the fiscal years 2014-15. The table on page [51] sets forth the statement of revenues, expenditures and changes in fund balances for the District’s general fund for fiscal years 2015-16 through 2018-19.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**(Yuba and Butte Counties, California)**  
**Statement of General Fund Revenues, Expenditures and Changes in Fund Balance**  
**Fiscal Year 2014-15**

	Fiscal Year 2014-15
<b>Revenues:</b>	
Local Control Funding Formula	
State apportionment	\$56,440,035
Local sources	13,342,486
Total LCFF	69,782,521
Federal revenues	6,243,753
Other state revenues	6,541,599
Other local revenues	4,507,019
<b>Total Revenues</b>	87,074,892
<b>Expenditures:</b>	
Certificated salaries	35,580,326
Classified salaries	14,702,060
Employee benefits	17,756,686
Books and supplies	6,058,625
Contract services and operating expenditures	7,835,083
Other outgo	2,476,412
Capital outlay	1,025,760
Debt service:	
Principal retirement	187,339
Interest	44,022
<b>Total expenditures</b>	85,666,313
<b>Excess (Deficiency) of revenues over (under) expenditures</b>	1,408,579
<b>Other financing sources (uses)</b>	
Interfund transfers in	817,312
Interfund transfers out <sup>(1)</sup>	(912,016)
<b>Total other financing sources (uses)</b>	(94,704)
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	1,313,875
<b>Fund balances, July 1</b>	13,210,849
<b>Fund balances, June 30</b>	\$14,524,724

<sup>(1)</sup> [District to describe reason(s) for transfers out.]

Source: Marysville Joint Unified School District Audited Financial Report for fiscal year 2014-15.

**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 2018-19**

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
<b>Revenues:</b>				
LCFF sources	\$83,079,182	\$89,662,027	\$91,271,440	\$100,328,254
Federal sources	6,989,484	6,479,036	7,310,382	7,424,972
Other state sources	12,485,174	10,026,371	9,158,382	15,767,618
Other local sources	5,400,550	7,206,768	6,623,156	4,936,086
<b>Total Revenues</b>	<b>107,954,390</b>	<b>113,374,202</b>	<b>114,363,360</b>	<b>128,456,930</b>
<b>Expenditures:</b>				
<b>Current</b>				
Instruction	54,290,208	56,331,220	61,516,110	65,743,015
Instruction-related activities:				
Instructional supervision and administration	2,545,907	2,658,917	2,810,609	3,015,631
Instructional library, media and technology	850,606	911,387	981,103	1,074,633
School administration	6,566,260	7,031,966	7,938,159	8,717,228
Pupil services:				
Home-to-school transportation	4,834,041	4,939,131	5,493,901	5,494,817
Food services	114,465	2,168	942	133,298
All other pupil services	5,782,850	6,303,754	7,608,395	8,025,388
General administration:				
Centralized data processing	2,034,525	2,550,514	2,704,136	3,036,532
All other general administration	3,561,258	3,916,696	4,060,984	4,558,859
Plant services	10,336,727	11,136,170	11,736,640	12,617,593
Facilities acquisition and maintenance	2,743,341	4,685,468	1,196,118	4,408,624
Ancillary services	506,407	534,777	615,321	964,702
Enterprise activities	60,130	45,339	64,396	49,128
Transfers to other agencies	3,640,467	3,579,754	3,812,913	4,546,934
<b>Debt Service</b>				
Principal	155,708	595,708	615,708	2,185,512
Interest and other	37,983	149,375	131,537	85,532
<b>Total Expenditures</b>	<b>98,060,883</b>	<b>105,372,344</b>	<b>111,286,972</b>	<b>124,657,426</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>9,893,507</b>	<b>8,001,858</b>	<b>3,076,388</b>	<b>3,799,504</b>
<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)
<b>Total Other Financing Sources and Uses</b>	<b>(846,055)</b>	<b>(900,659)</b>	<b>25,372</b>	<b>(29,732)</b>
<b>Net Change in Fund Balances</b>	<b>9,047,452</b>	<b>7,101,199</b>	<b>3,101,760</b>	<b>3,769,772</b>
<b>Fund Balances, Beginning</b>	<b>14,524,724</b>	<b>23,572,176</b>	<b>30,673,375</b>	<b>33,775,135</b>
<b>Fund Balances, Ending</b>	<b>\$23,572,176</b>	<b>\$30,673,375</b>	<b>\$33,775,135</b>	<b>\$37,544,907</b>

<sup>(1)</sup> The transfer into the District's General Fund as a donation from the Adult Education Fund. *[District to Confirm.]*

<sup>(2)</sup> *[District to describe reason(s) for transfers out.]*

Source: Marysville Joint Unified School District Audited Financial Reports for fiscal years 2015-16 through 2018-19.

The following table sets forth the general fund balance sheet of the District for fiscal year 2014-15. The table on page [53] sets forth the general fund balance sheet of the District for fiscal years 2015-16 through 2018-19.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**(Yuba and Butte Counties, California)**  
**Summary of General Fund Balance Sheet**  
**Fiscal Year 2014-15**

	Fiscal Year 2014-15
<b>Assets</b>	
Cash in county treasury	\$14,066,135
Cash in revolving fund	30,000
Receivables	3,555,870
Due from other funds	841,071
Stores inventory	297,348
<b>Total assets</b>	<b>18,790,424</b>
<b>Liabilities and fund balances</b>	
<b>Liabilities:</b>	
Accounts payable	3,980,355
Unearned revenue	189,843
Due to other funds	95,502
<b>Total liabilities</b>	<b>4,265,700</b>
<b>Fund balances:</b>	
Nonspendable	327,348
Restricted	2,155,358
Assigned	3,881,243
Unassigned	8,160,775
<b>Total Fund Balances</b>	<b>14,524,724</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$18,790,424</b>

Source: Marysville Joint Unified School District Audited Financial Report for fiscal year 2014-15.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**(Yuba and Butte Counties, California)**  
**Summary of General Fund Balance Sheet**  
**Fiscal Years 2015-16 through 2018-19**

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
<b>ASSETS</b>				
Cash and investments	\$23,546,793	\$29,708,609	\$34,169,588	\$39,164,517
Accounts receivable	3,395,955	5,525,285	3,567,732	4,043,265
Due from other funds	845,799	1,000,214	1,087,028	1,186,178
Stores inventory	211,564	239,329	192,970	230,616
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>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accrued liabilities	4,095,788	4,851,714	4,014,962	6,350,642
Due to other funds	29,720	45,164	70,755	399,592
Unearned revenue	317,847	903,184	1,157,525	329,435
<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>Fund Balances</b>				
Nonspendable	256,984	269,329	224,029	260,616
Restricted	3,713,125	4,441,752	5,031,291	4,415,947
Committed	-	-	-	2,715,549
Assigned	4,589,357	8,153,803	6,919,427	9,363,784
Unassigned	15,012,710	17,808,491	21,600,388	20,789,011
<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>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>

Source: Marysville Joint Unified School District Audited Financial Reports for fiscal years 2015-16 through 2018-19.

**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 last five years, the District has not received a qualified or negative certification in connection with any of its interim reports.]

***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.*** 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.

***[Does the District have a fiscal stabilization plan in place currently or within the past three years? Please provide Yuba COE letters in response to the District's FY 19-20 first interim & second interim reports and FY 20-21 original adopted budget.]***

The table on the following page sets forth the District's adopted general fund budgets for fiscal years 2017-18 through 2020-21 and unaudited actuals for fiscal years 2017-18 through 2019-20.

**MARYSVILLE JOINT UNIFIED SCHOOL DISTRICT**  
**(Yuba and Butte Counties, California)**  
**General Fund Budgets for Fiscal Years 2017-18 through 2020-21**  
**and Unaudited Actuals for Fiscal Years 2017-18 through 2019-20**

	2017-18 Original Adopted Budget	2017-18 Unaudited Actuals <sup>(1)</sup>	2018-19 Original Adopted Budget	2018-19 Unaudited Actuals <sup>(1)</sup>	2019-20 Original Adopted Budget	2019-20 Unaudited Actuals	2020-21 Original Adopted Budget
<b>REVENUES</b>							
LCFF Sources	\$93,467,092.00	\$91,271,439.00	\$99,849,118.00	\$100,328,252.59	\$104,043,111.00	\$101,783,022.43	\$94,719,302.00
Federal Revenue	5,975,166.00	7,310,381.70	6,980,949.00	7,424,972.07	6,946,549.00	7,050,622.66	12,190,545.00
Other State Revenue	7,618,480.00	9,158,382.66	10,358,393.00	11,143,126.87	7,996,447.00	9,941,828.26	8,171,482.00
Other Local Revenue	3,917,889.00	5,610,347.11	3,917,146.00	4,928,856.57	4,470,896.00	6,203,926.82	5,872,545.00
<b>TOTAL REVENUES</b>	<b>110,978,627.00</b>	<b>113,350,550.47</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>EXPENDITURES</b>							
Certificated Salaries	43,547,957.00	44,909,871.68	46,508,937.00	45,110,144.27	47,645,533.00	48,264,319.86	48,715,747.00
Classified Salaries	16,320,542.00	18,330,689.92	17,813,729.00	19,544,616.26	19,689,616.00	19,822,319.74	19,580,577.00
Employee Benefits	24,670,192.00	25,405,473.53	26,876,247.00	27,387,259.48	29,678,544.00	28,886,016.75	28,746,702.00
Books and Supplies	6,953,046.00	6,422,251.23	7,494,855.00	5,961,496.00	6,857,607.00	5,739,641.59	8,694,050.00
Services, Other Operating Expenses	10,310,608.00	10,320,585.19	10,970,022.00	12,989,462.26	12,651,750.00	10,183,758.55	12,474,058.00
Capital Outlay	770,539.00	2,403,315.41	2,344,372.00	3,386,103.49	1,842,595.00	2,274,055.25	450,125.00
Other Outgo (excluding Direct Support/Indirect Costs)	4,067,298.00	4,560,157.75	5,157,412.00	6,817,978.10	4,969,125.00	3,359,987.06	5,370,502.00
Other Outgo - Transfers of Indirect Costs	(1,094,572.00)	(1,065,360.03)	(1,151,883.00)	(1,164,122.60)	(1,192,301.00)	(1,055,514.97)	(1,009,359.00)
<b>TOTAL EXPENDITURES</b>	<b>105,545,610.00</b>	<b>111,286,984.68</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>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>5,433,017.00</b>	<b>2,063,565.79</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>OTHER FINANCING SOURCES (USES)</b>							
Inter-fund Transfers In	-	48,360.74	-	-	-	2,962,179.37	-
Inter-fund Transfers Out <sup>(2)</sup>	(820,000.00)	(22,989.41)	(1,000,000.00)	(2,984,675.85)	(2,089,599.00)	(1,026,791.06)	(1,573,431.00)
<b>TOTAL, OTHER FINANCING SOURCES (USES)</b>	<b>(820,000.00)</b>	<b>25,371.33</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>NET INCREASE (DECREASE) IN FUND BALANCE</b>	<b>4,613,017.00</b>	<b>2,088,937.12</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>BEGINNING BALANCE, as of July 1</b>	<b>23,394,269.47</b>	<b>28,970,647.88</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>Audit Adjustments<sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,715,549.36</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Adjusted Beginning Balance</b>	<b>23,394,269.47</b>	<b>28,970,647.88</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>ENDING BALANCE</b>	<b>\$28,007,286.47</b>	<b>\$31,059,585.00</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>Unrestricted Ending Balance</b>	<b>\$25,082,462.57</b>	<b>\$26,028,294.35</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>Restricted Ending Balance</b>	<b>\$2,924,823.90</b>	<b>\$5,031,290.65</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>

<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.] *[District to confirm.]*

<sup>(2)</sup> *[District to describe reason(s) for transfers out.]*

<sup>(3)</sup> *[District to describe reason(s) for audit adjustment.]*

Source: Marysville Joint Unified School District adopted general fund budgets for fiscal years 2017-18 through 2020-21; and unaudited actuals for fiscal years 2017-18 through 2019-20.

## District Debt Structure

**Long-Term Debt Summary.** A schedule of changes in the District’s long-term obligations for the year ended June 30, 2019, consisted of the following:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Balance Due In One Year
<b>Governmental Activities</b>					
General obligation bonds	\$64,838,777	\$12,565,745	\$1,820,000	\$75,584,522	\$1,220,000
Unamortized premium	3,471,121	123,159	241,484	3,352,796	246,410
Accreted interest	3,198,481	112,889	908,988	2,402,382	-
Total general obligation bonds	<u>71,508,379</u>	<u>12,801,793</u>	<u>2,970,472</u>	<u>81,339,700</u>	<u>1,466,410</u>
Certificates of participation <sup>(1)</sup>	20,406,099	-	2,030,000	18,376,099	-
Accreted interest	7,214,945	1,486,556	-	8,701,501	-
Total certificates of participation	<u>27,621,044</u>	<u>1,486,556</u>	<u>2,030,000</u>	<u>27,077,600</u>	<u>-</u>
Capital leases	385,790	-	155,512	230,278	229,482
Compensated absences	597,760	34,502	-	632,262	-
Total OPEB liability	17,488,679	509,750	-	17,998,429	-
Net pension liability	105,929,515	8,874,801	-	114,804,316	-
Total	<u>\$223,531,167</u>	<u>\$23,707,402</u>	<u>\$5,155,984</u>	<u>\$242,082,585</u>	<u>\$1,695,892</u>

<sup>(1)</sup> Does not reflect the execution and delivery of the Refunding Certificates.

Source: Marysville Joint Unified School District Audited Financial Report for fiscal year 2018-19.

**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, 2019 is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Outstanding July 1, 2018	Additions	Deductions	Outstanding June 30, 2019
11/13/2014	8/1/2033	3.0-5.0%	\$33,490,000	\$31,360,000	\$-	\$840,000	\$30,520,000
8/25/2009	8/1/2036	5.0-5.5	34,433,777	5,473,777	-	730,000	4,743,777
11/10/2016	8/1/2034	3.0-5.0	28,515,000	28,005,000	-	250,000	27,755,000
11/14/2018	8/1/2041	3.0-5.0	12,565,745	-	12,565,745	-	12,565,745
				<u>\$64,838,777</u>	<u>\$12,565,745</u>	<u>\$1,820,000</u>	<u>\$75,584,522</u>

Source: Marysville Joint Unified School District Audited Financial Report for fiscal year 2018-19.

**Certificates of Participation.** On July 17, 2012, the District caused 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. Proceeds of the Refunding Certificates will be used to refund, on a crossover basis, all of the outstanding Prior Certificates. See “THE REFUNDING PLAN.”

**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 2020. Scheduled payments for the related capital lease are as follows:

Year Ended June 30, 2020	Lease Payment
2020	\$231,870
Total minimum lease payments	231,870
Less amount representing interest	(1,592)
Present value of minimum lease payments	<u>\$230,278</u>

Source: Marysville Joint Unified School District Audited Financial Report for fiscal year 2018-19.

**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 Report for fiscal year 2018-19.

As of June 30, 2017 (the date of the Actuarial Valuation (described below)), the Plan membership consisted of 820 total participants, which included 49 inactive employees receiving benefits and 771 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 2018-19, the District contributed \$978,474 to the Plan, all of which was used for current premiums.

[\_\_\_\_\_] has prepared an actuarial valuation (the "Actuarial Valuation") covering the Plan as of the June 30, 2017 valuation date. The Actuarial Valuation assumes, among other things, a discount rate of 3.80%, an annual healthcare cost trend rate of 4.00%, an investment rate of return of 3.80%, 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 2018-19:

<b>Total OPEB Liability</b>	<b>June 30, 2019</b>
Service cost	\$1,236,895
Interest on total OPEB liability	669,480
Changes of assumptions	(418,151)
Benefit payments	(978,474)
Net change in total OPEB liability	509,750
<b>Total OPEB Liability - Beginning</b>	<b>\$17,488,679</b>
<b>Total OPEB Liability - Ending</b>	<b>\$17,998,429</b>

Source: Marysville Joint Unified School District Audited Financial Report for fiscal year 2018-19.

For more information regarding the District's OPEB obligations and liabilities for fiscal year 2018-19, see Note 10 to the District's financial statements in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

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.] ***[District to confirm.]*** 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 September 9, 2020 for debt outstanding as of October 1, 2020. 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)**

September 9, 2020

2019-20 Assessed Valuation: \$4,609,552,881

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/20</u>
Yuba Joint Community College District	13.770%	\$ 26,032,337
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	<u>515,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$110,276,859
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Butte County Certificates of Participation	0.242%	\$ 40,168
Butte County Pension Obligation Bonds	0.242	107,944
Yuba County General Fund Obligations	73.309	39,332,111
Yuba County Board of Education Certificates of Participation	73.309	687,258
Yuba Joint Community College District General Fund Obligations	13.770	2,124,632
Marysville Joint Unified School District	100.000	18,376,099 <sup>(2)</sup>
City of Marysville General Fund Obligations	100.000	7,879,278
City of Marysville Pension Obligation Bonds	100.000	<u>14,745,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$83,292,490
 COMBINED TOTAL DEBT		 \$193,569,349

Ratios to 2019-20 Assessed Valuation:

Direct Debt (\$71,059,522).....	1.54%
Total Direct and Overlapping Tax and Assessment Debt.....	2.39%
Combined Direct Debt (\$89,435,621) .....	1.94%
Combined Total Debt .....	4.20%

<sup>(1)</sup> Excludes the Refunding Certificates; excludes accreted value; includes the Prior Certificates.

<sup>(2)</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 [\_\_\_\_], the District employed approximately [\_\_\_] employees, consisting of [\_\_\_] full-time equivalent (“FTE”) non-management certificated employees, [\_\_\_] certificated management employees, [\_\_\_] FTE classified non-management employees and [\_\_\_] classified management employees. For fiscal year 2018-19, the total certificated and classified payrolls were approximately \$45.11 million and \$19.54 million. For fiscal year 2019-20, the total certificated and classified payrolls were approximately \$48.26 million (unaudited) and \$19.82 million (unaudited), respectively, and are budgeted to be approximately \$48.72 million and \$19.58 million, respectively, in fiscal year 2020-21.



The District’s certificated and classified employees are represented by formal bargaining organizations as set forth in the table below. *[District to describe status of contracts, negotiations, reopeners, etc.]*

Name of Bargaining Unit	Number of FTEs Represented	Current Contract Expiration Date
Marysville Unified Teachers’ Association	[ ]	[ ]
California School Employees Association #328 and 648	[ ]	[ ]
Operating Engineers Local #3	[ ]	[ ]

Source: Marysville Joint Unified School District.

**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 2018-19, the contribution for fiscal year 2019-20 (unaudited), and the budgeted 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	7,004,191
2019-20 <sup>(1)</sup>	[ ]	[ ]
2020-21 <sup>(2)</sup>	[ ]	[ ]

<sup>(1)</sup> Unaudited actuals for fiscal year 2019-20.

<sup>(2)</sup> Original adopted budget 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 PEPR (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 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 2018-19, the contribution for fiscal year 2019-20 (unaudited), and the budgeted 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 <sup>(1)</sup>	3,559,276
2020-21 <sup>(2)</sup>	3,914,502

<sup>(1)</sup> Unaudited actuals for fiscal year 2019-20.  
<sup>(2)</sup> Original adopted budget 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 2018-19 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, 2019.”

### **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, 2019” 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 XIIC 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.

**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 revenues.

### **ESCROW VERIFICATION**

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter relating to the computation of projected payments of the Base Rental evidenced by the Refunding Certificates coming due to and including the Crossover Date, and the projected payments of accreted value to redeem the Prior Certificates will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the "Verification Agent"). Such computations will be based solely on assumptions and information supplied by the District and the Underwriter. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

### **RATINGS**

The Refunding 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 Refunding 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 Refunding Certificates. Neither the Underwriter nor the District has undertaken any responsibility after the execution and delivery of the Refunding 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 Refunding Certificates with the understanding that upon delivery of the Refunding 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 Refunding 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 Refunding 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 Refunding Certificates is exempt from State of California personal income taxes. Special Counsel observes that interest evidenced by the Refunding Certificates is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Special Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest evidenced by, the Refunding Certificates. The proposed form of opinion of Special Counsel is set forth in Appendix C—“FORM OF SPECIAL COUNSEL OPINION.”

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Refunding Certificates that acquire their Refunding Certificates in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Refunding Certificates as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Refunding Certificates under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Refunding Certificates pursuant to this offering for the issue price that is applicable to such Refunding Certificates (i.e., the price at which a substantial amount of the Refunding Certificates are sold to the public) and who will hold their Refunding Certificates as “capital assets” within the meaning of Section 1221 of the Code.

As used herein, “U.S. Holder” means a beneficial owner of a Refunding Certificate that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, “Non-U.S. Holder” generally means a beneficial owner of a Refunding Certificate (other than a partnership) that is not a U.S. Holder. If a partnership holds Refunding Certificates, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Refunding Certificates, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Refunding Certificates (including their status as U.S. Holders or Non-U.S. Holders).

Notwithstanding the rules described below, it should be noted that certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain and loss with respect to the Refunding Certificates at the time that such income, gain or loss is recognized on such financial statements instead of under the rules described below (in the case of original issue discount, such requirements are only effective for tax years beginning after December 31, 2018).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Refunding Certificates in light of their particular circumstances.

### ***U.S. Holders***

*Interest.* Interest evidenced by the Refunding Certificates generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

Refunding Certificates purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier prepayment date) will be treated as issued at a premium. A U.S. Holder of a Refunding Certificate issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Refunding Certificate.

*Sale or Other Taxable Disposition of the Refunding Certificates.* Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Refunding Certificate will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Refunding Certificate will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest evidenced by the Refunding Certificate, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Refunding Certificate (generally, the purchase price paid by the U.S. Holder for the Refunding Certificate, decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Refunding Certificates, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Refunding Certificates exceeds one year. The deductibility of capital losses is subject to limitations.

*Defeasance of the Refunding Certificates.* If the District defeases any Refunding Certificate, such Refunding Certificate may be deemed to be retired for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted tax basis in the Refunding Certificate.

*Information Reporting and Backup Withholding.* Payments on the Refunding Certificates generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Refunding Certificates may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest evidenced by the Refunding Certificates and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Refunding Certificates. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S.

taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder’s failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

### ***Non-U.S. Holders***

*Interest.* Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “Foreign Account Tax Compliance Act,” payments of principal of, and interest on, any Refunding Certificate to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the District through stock ownership and (2) a bank which acquires such Refunding Certificate in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Refunding Certificate provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading “Information Reporting and Backup Withholding,” or an exemption is otherwise established.

*Disposition of the Refunding Certificates.* Subject to the discussions below under the headings “Information Reporting and Backup Withholding” and “FATCA,” any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the District or a deemed retirement due to defeasance of the Refunding Certificate) or other disposition of a Refunding Certificate generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition and certain other conditions are met.

*U.S. Federal Estate Tax.* A Refunding Certificate that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual’s death, provided that, at the time of such individual’s death, payments of interest with respect to such Refunding Certificate would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

*Information Reporting and Backup Withholding.* Subject to the discussion below under the heading “FATCA,” under current U.S. Treasury Regulations, payments of principal and interest on any Refunding Certificates to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Refunding Certificate or a financial institution holding the Refunding Certificate on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

### ***Foreign Account Tax Compliance Act (“FATCA”) – U.S. Holders and Non-U.S. Holders***

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Refunding Certificates. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain “passthru” payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term “foreign passthru payments.” Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Refunding Certificates in light of the holder’s particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Refunding Certificates, including the application and effect of state, local, non-U.S., and other tax laws.]

### **CERTAIN ERISA CONSIDERATIONS**

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), imposes certain restrictions on employee pension and welfare benefit plans subject to ERISA (“ERISA Plans”) regarding prohibited transactions, and also imposes certain obligations on those persons who are fiduciaries with respect to ERISA Plans. Section 4975 of the Code imposes similar prohibited transaction restrictions on certain plans, including (i) tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under section 501(a) of the Code and which are not governmental or church plans as defined herein (“Qualified Retirement Plans”), and (ii) individual retirement accounts (“IRAs”) described in Section 408(b) of the Code (the foregoing in clauses (i) and (ii), “Tax-Favored Plans”). Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), non-U.S. plans (as described in Section 4(b)(4) of ERISA) and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA), are not subject to ERISA requirements or Section 4975 of the Code, but may be subject to requirements or prohibitions under applicable federal, state, local, non-U.S. or other laws or regulations that are, to a material extent, similar to the requirements of ERISA and Section 4975 of the Code (“Similar Law”).

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan’s investment be made in accordance with the documents governing the plan, ERISA Plans are subject to prohibited transaction restrictions imposed by Section 406 of ERISA. ERISA Plans and Tax-Favored Plans are also subject to prohibited transaction restrictions imposed by Section 4975 of the Code. These rules generally prohibit a broad range of transactions between (i) ERISA Plans, Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, “Benefit Plans”) and (ii) persons who have certain specified relationships to the Benefit Plans (such persons are referred to as “Parties in Interest” or “Disqualified Persons”), in each case unless a statutory, regulatory or administrative exemption is available. The definitions of “Party in Interest” and “Disqualified Person” are expansive. While other entities may be encompassed by those definitions, they include most notably: (1) a

fiduciary with respect to a Benefit Plan; (2) a person providing services to a Benefit Plan; (3) an employer or employee organization any of whose employees or members are covered by a Benefit Plan; and (4) an owner of an IRA. Certain Parties in Interest (or Disqualified Persons) that participate in a non-exempt prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory, regulatory or administrative exemption is available. Without an exemption, an owner of an IRA may disqualify his or her IRA.

Certain transactions involving the purchase, holding or transfer of the Refunding Certificates might be deemed to constitute prohibited transactions under ERISA and the Code if assets of the District were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor at 29 C.F.R. section 2510.3-101, as modified by Section 3(42) of ERISA (the “Plan Assets Regulation”), the assets of the District would be treated as plan assets of a Benefit Plan for the purposes of ERISA and the Code if the Benefit Plan acquires an “equity interest” in the District and none of the exceptions contained in the Plan Assets Regulation are applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument that is treated as indebtedness under applicable local law and that has no substantial equity features. Although there can be no assurances in this regard, it appears that the Refunding Certificates should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation and accordingly the assets of the District should not be treated as the assets of Benefit Plans investing in the Refunding Certificates. The debt treatment of the Refunding Certificates for ERISA purposes could change subsequent to issuance of the Refunding Certificates. In the event of a withdrawal or downgrade to below investment grade of the rating of the Refunding Certificates or a characterization of the Refunding Certificates as other than indebtedness under applicable local law, the subsequent purchase of the Refunding Certificates or any interest therein by a Benefit Plan is prohibited.

However, without regard to whether the Refunding Certificates are treated as an equity interest for such purposes, the acquisition or holding of Refunding Certificates by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the District or the Trustee, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan. The fiduciary of a Benefit Plan that proposes to purchase and hold any Refunding Certificates should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a Party in Interest or a Disqualified Person, (ii) the sale or exchange of any property between a Benefit Plan and a Party in Interest or a Disqualified Person, or (iii) the transfer to, or use by or for the benefit of, a Party in Interest or a Disqualified Person, of any Benefit Plan assets.

Certain status-based exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Refunding Certificate. These are commonly referred to as prohibited transaction class exemptions or “PTCEs”. Included among these exemptions are:

PTCE 75-1, which exempts certain transactions between a Benefit Plan and certain brokers-dealers, reporting dealers and banks;

PTCE 96-23, which exempts transactions effected at the sole discretion of an “in-house asset manager”;

PTCE 90-1, which exempts certain investments by an insurance company pooled separate account;

PTCE 95-60, which exempts certain investments effected on behalf of an “insurance company general account”;



PTCE 91-38, which exempts certain investments by bank collective investment funds; and

PTCE 84-14, which exempts certain transactions effected at the sole discretion of a “qualified professional asset manager.”

In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code generally provide for a statutory exemption from the prohibitions of Section 406(a) of ERISA and Section 4975 of the Code, commonly referred to as the “Service Provider Exemption”. The Service Provider Exemption covers transactions involving “adequate consideration” between Benefit Plans and persons who are Parties in Interest or Disqualified Persons solely by reason of providing services to such Benefit Plans or who are persons affiliated with such service providers, provided generally that such persons are not fiduciaries with respect to “plan assets” of any Benefit Plan involved in the transaction and that certain other conditions are satisfied.

The availability of each of these PTCEs and/or the Service Provider Exemption is subject to a number of important conditions which the Benefit Plan’s fiduciary must consider in determining whether such exemptions apply. There can be no assurance that all the conditions of any such exemptions will be satisfied at the time that the Refunding Certificates are acquired by a purchaser, or thereafter, if the facts relied upon for utilizing a prohibited transaction exemption change, or that the scope of relief provided by these exemptions will necessarily cover all acts that might be construed as prohibited transactions. Therefore, a Benefit Plan fiduciary considering an investment in the Refunding Certificate should consult with its counsel prior to making such purchase.

By its acceptance of a Refunding Certificate (or an interest therein), each purchaser and transferee (and if the purchaser or transferee is a Benefit Plan, its fiduciary) will be deemed to have represented and warranted that either (i) no “plan assets” of any Benefit Plan or a plan subject to Similar Law have been used to purchase such Refunding Certificate or (ii) the purchase and holding of such Refunding Certificates is exempt from the prohibited transaction restrictions of ERISA and Section 4975 of the Code pursuant to a statutory, regulatory or administrative exemption and will not violate Similar Law. A purchaser or transferee who acquires Refunding Certificates with assets of a Benefit Plan represents that such purchaser or transferee has considered the fiduciary requirements of ERISA, the Code or Similar Laws and has consulted with counsel with regard to the purchase or transfer.

None of the District, the Trustee, or the Underwriter is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity in connection with the acquisition or transfer of the Refunding Certificates by any Benefit Plan.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that any Benefit Plan fiduciary or other person considering whether to purchase Refunding Certificates on behalf of a Benefit Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code to such investment and the availability of any exemption. In addition, persons responsible for considering the purchase of Refunding Certificates by a governmental plan, non-electing church plan or non-U.S. plan should consult with their counsel regarding the applicability of any Similar Law to such an investment.

### **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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 \_\_\_\_\_, 2020, by and between the Underwriter and the District, to purchase the Refunding Certificates at a purchase price of \$\_\_\_\_\_ (which represents the aggregate principal amount of the Refunding Certificates, less \$\_\_\_\_\_ of Underwriter’s discount). The Underwriter will purchase all the Refunding Certificates if any are purchased. The Refunding 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 Refunding 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, 2019**

**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 Refunding Certificates. The Refunding 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 Refunding 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 Refunding Certificates on DTC’s records. The ownership interest of each actual purchaser of each Refunding 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 Refunding 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 Refunding 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 Refunding Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Refunding 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 Refunding Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Refunding Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 Refunding 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 REFUNDING 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 REFUNDING 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 REFUNDING CERTIFICATES, PAYMENT OF PRINCIPAL, INTEREST AND OTHER PAYMENTS EVIDENCED BY THE REFUNDING CERTIFICATES TO PARTICIPANTS OR BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN SUCH REFUNDING 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**